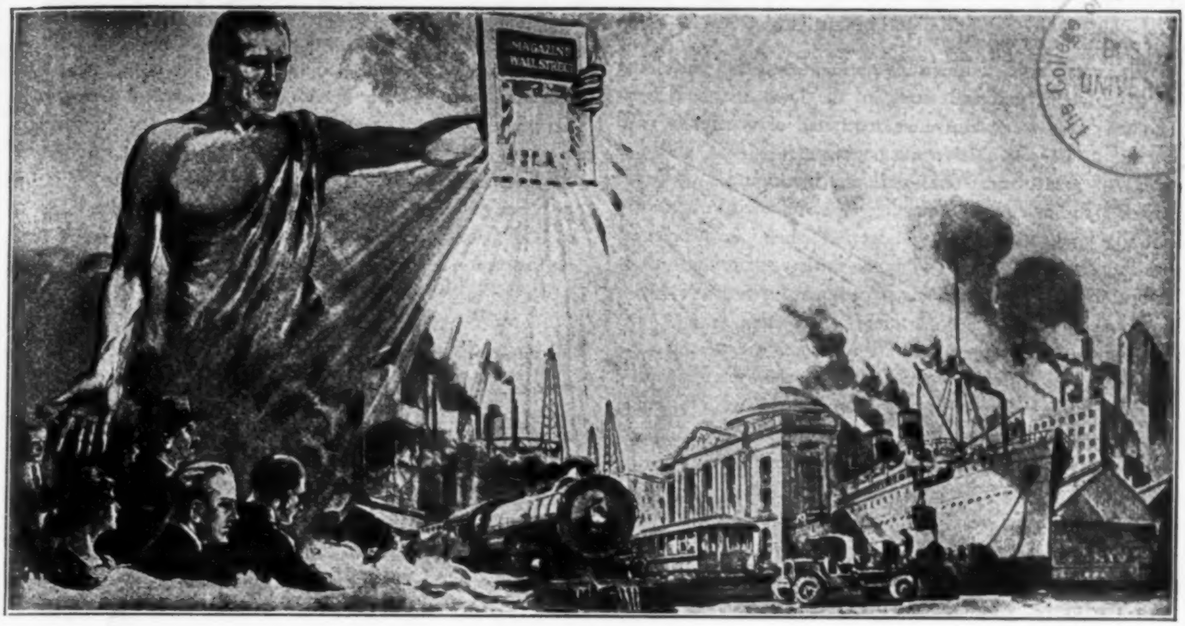


The Outlook

Marked Improvement in Some Lines of Industry—Railroad Earnings Expand—Unsatisfactory Position of the Mark—The Tariff Bill Under Discussion—The Market Prospect

WHILE conditions in industry, generally speaking, are still irregular, the improvement in some lines has been really quite exceptional. Among these may be included steel, iron, construction, railroads and the allied automotive industries. Expanding operations, due to increased volume of demand, have led to a higher rate of employment and have consequently enlarged public buying power. The foreign trade situation still continues the weak feature, however, and improvement at large is limited on that account. The outlook during the Spring months is for continued betterment in business generally. A striking feature of the situation is the unabated investment demand, notwithstanding a practically uninterrupted advance of five months.

* * *

INCREASE OF RAILROAD EARNINGS

ONE of the most satisfactory and encouraging aspects of the year 1922 on its financial side is seen in the fact that railroad earnings are so distinctly and satisfactorily advancing. For the month of February the earnings of Class 1 roads have been announced as about 4½% which represents a material gain over January. As compared with February a year ago some of the roads have made remarkable improvement, a few having converted actual deficits into substantial surpluses. The differences between the roads are tending to show up more and more distinctly as time goes on, due to the effect of differences in management, and in opportunity, but general conditions are undoubtedly favorable for all of the roads as compared with what they have been in the recent past. Economies in operation have considerably bettered the earning power of the lines, while there has been a very decided improvement in freight tonnage as shown by car loadings.

This greater degree of prosperity is reflected in the resumption of orders for railway equipment, a change which has naturally tended to improve the status of the equipment companies in no small degree. On the other hand, the financial conditions affecting some of the lines have been distinctly ameliorated. Success in meeting maturities which had been looked forward to with some doubt by a number of the lines has been provided for at a lower rate of interest than had been expected to be necessary. *All these factors combine to make the transportation outlook decidedly more encouraging than for a good while past, with a correspondingly favorable effect upon prices of securities, both stocks and bonds.*

* * *

NEW FINANCING

THE volume of new financing which has come into the New York market during the past few months is noteworthy. According to trustworthy figures prepared for the Federal Reserve Board the amount of dollar securities sold here for foreign countries in 1922 to March 15 is $263,000,000. This includes corporate and public issues. Domestically, the output of new securities is also on the increase and the noteworthy fact has been observed that even some of the railroads are again beginning to offer issues of stock. It has been a long time since a railway was able to finance itself in that manner, most of the security offerings of recent years being in the form of bonds or notes. Undoubtedly the improvement of business and the better traffic condition of the railroads have materially helped the prospect

of financing, but more influential still has been the change in the credit situation.

With much of the undesirable current borrowing eliminated from the banks, and with many of the loans that had been sought by sound concerns either curtailed or absolutely paid off, due to a desire to stop the payment of interest during a period of great commercial dullness, the supplies of funds available for investment financing on a reasonable basis are naturally large, and the rate of interest which can be offered correspondingly reduced. This has made a much more satisfactory outlook for the placing of new corporate issues and a like advantage has been taken of it. *The situation is encouraging from the standpoint of the satisfactory refinancing of capital requirements and promises a considerably sounder basis for business operations than has existed for some time past, financially speaking. It will reduce their necessity of resorting to banks for working capital when activity is fully restored.*

* * *

THE DECLINE OF THE MARK

THE most noteworthy feature of the foreign exchange market during the past month or more has been a fresh decline in the value of the mark which has carried it well down below any recent level. Traders ascribe this loss to the attempt to apply an impossible system of German reparations and to the renewed exportation of German capital which is said to have resulted from the effort. Others see in it nothing more than the continuous depreciation of a currency which is now on the down grade owing to unsound and dangerous banking and fiscal methods pursued in Germany.

Whatever the explanation that may be given to it the decline in the mark at a time when all other European currencies were rising is a serious symptom. From the pessimistic standpoint it might be regarded as showing that the mark had now gotten beyond control, and that it might be expected to follow the experience of the Austrian or of other Southern European currencies. *There is undoubtedly a serious danger of this sort, owing both to the enormous quantities of marks now in existence in paper form, and owing also to the fact that large quantities of them are speculatively owned in foreign countries, constituting a kind of unfunded foreign indebtedness.*

* * *

THE HOUSE AND THE BUDGET

AFTER a year's work devoted to the adoption of a budget bill, the development of a definite budget, under a competent director, and the putting of the new plan into effect, it is more than disappointing to have the House of Representatives so indifferent to the whole enterprise as to reject its essentials. This, however, is what has been done by the lower Chamber of Congress in its action on a recent appropriation measure providing for river and harbor outlay. It has not hesitated to restore large items in the measure, amounting to about 50 per cent of the entire sum appropriated which had been ruled out of the budget. As is well known, the river and harbors bill has long been the source of a great deal of legislative "pap" used in the acquirement of votes, and it is to be expected that other bills which offer the same temptation to the politician will be dealt with in very much the same way and with an equal disregard of budget requirements.

The question is thus urgently raised whether it will be possible for budget advocates to succeed in their endeavor to apply the new scheme. Thus again is illustrated the general truth that many of the defects of our system of Government are results, not of unsatisfactory machinery for the management of public affairs, but of a defective point of view on the part of those who are charged with executive or legislative responsibility. In fact, these defective parts of the Governmental machine are the direct outgrowth of a point of view on the part of legislators and people which has produced them.

* * *

ACCEPTANCE RULINGS

THE Federal Reserve system has undoubtedly taken a very important step in determining to permit banks to accept drafts without the accompanying documentary evidence of their connection with a commercial transaction, such drafts then to be eligible for discount at the reserve institutions. Of course this suggests the probability of an increasing element of finance bills or what is really equivalent thereto in the future. The new regulation practically transfers the control of the whole matter to Federal reserve banks and of course places upon them a corresponding responsibility, now that they are freed of any control originating in Washington, save perhaps the most general type of oversight.

* * *

COMPLETING THE TARIFF

AS the tariff struggle in Congress draws to a close a few issues stand out as conspicuously difficult. Among these are the status of the dye industry, the question of duties on raw material,—especially wool—American vs. foreign valuation of imported goods, and a few others. The approach of the discussion to a close seems to suggest that on this as on many foreign occasions the result of the debate is likely to be a kind of tie. The emergency tariff has already shown the unwisdom of what was done in that act as regards the taxing of raw materials and the new plan seems likely to make the emergency tariff worse. This issue, therefore, will undoubtedly give rise to a severe struggle on the floor. As for American valuation, the difference of opinion concerning it is as sharp as ever it was, the opposition including many protectionists of unquestioned standing. It also, therefore, must form a subject of extensive floor debate, no matter what the committee may do. All this foreshadows a lengthy and controversial discussion of the whole tariff matter.

* * *

MARKET PROSPECT

AS the average price of 50 stocks has recovered approximately one-half of the decline from the high point of 1919 to the low point in 1921, and all this within a period of ten months from the low point of the depression, it is not a time to be carried away over the enthusiastic up-bidding of numerous stock issues, but to proceed more cautiously than at any time since we first recommended investment purchases in these columns.

The long trend of the market is still upward, but subscribers who are operating for a long pull should be content to ride along with what they bought at lower prices rather than to make material increases in their commitments and thus place themselves in a vulnerable position in the event of an important reaction.

Monday, April 10.

Securities That Mexican Recognition Will Affect

Impending Political Recognition of Our Southern Neighbor Revives Interest in Her Securities and Those of American Companies with Mexican Affiliations

***By* THOMAS B. PRATT**

Gen. Alvaro Obregon, President of the Mexican Republic, whose Government will probably be recognized by the United States

IT is generally conceded that recognition of the present Mexican Government by the United States Government is a matter that is to be settled within a short time. Negotiations have been under way since the early days of the Harding Administration and it has been known that the difficulties in the way of an early settlement of the differences that have prevented friendly relations for so long were not so great that they could not be overcome by the exercise of a little common sense on the part of the statesmen of the two countries.

Practically all of these differences, it is understood, have been settled and the two Governments are now said to be working out the details and that as soon as these have been completed recognition will follow. This will end a long period of unfortunate incidents and will resume the profitable commercial and financial intercourse between the two nations that is possible under normal conditions. Friendship and harmony between Mexico and the United States will mean greater prosperity for both, it will put Mexico back on a sound basis and assist her to resume her place among the nations of the world that recognize their obligations.

The Importance of Mexico

Despite the fact that Mexico is separated from the United States only by a geographical line, there is a general lack of knowledge about the resources, wealth and people of Mexico by the American public. It is a country of 15,000,000 inhabitants, with an area larger than Great Britain, Japan, France, Italy and Germany combined. Over ten thousand miles of railroads stretch over fertile plateaus, lowlands and mountains. The climate is temperate, tropical and sub-tropical, according to elevation. The country has thousands of miles of coast line on the Atlantic, Pacific and Carribean seas. The country's leading developed resources may be cited as follows:

Nearly half of the silver of the world comes from Mexico. Production of oil is second only to the United States. Mexico sends more lead and copper to the United States than any other country in the world.

In addition to the above, other products extensively produced are lumber, coffee, rubber, corn, cotton, tobacco, vanilla and sugar.

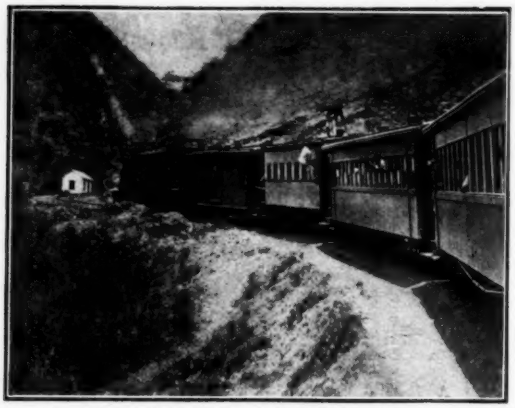
Finances of Mexico

The Mexican National debt is approximately $338,000,000, or $24 per capita. This is a smaller per capita debt than of any European country, but, of course, much of Mexico's population is uneducated and of considerably less economic worth than the population of most of the European nations.

The monetary standard is gold and the monetary unit is the Peso, which has a normal par value in United States currency of $.4985. Mexico has been in default on her external debt for nearly eight years. This default has been one of

MEXICAN GOVERNMENT, STATE, AND CORPORATION BONDS

Name	Rate	Coupons Attached from	Percent of Defaulted Interest	Amount of Interest in Arrears in U. S. Dollars	Price of Bond at Par, Plus Approx. Defaulted Interest to Date	Present Price of Bond at $1,000.00 (£200)	Margin of Potential Profit If Purchased Nov. 5	Loan in 1921	Price Range in 1918: High	Price Range in 1918: Low
Consolidated External Loan of 1899	5	June 1, 1914	40%	$400	$1,400	$570	$830	40	97¼	95½
External Gold Bonds of 1904	4	June 1, 1914	32%	320	1,320	480	840	29	91	88
Ten-Year Treasury Bonds of 1913 ("A")	6	Jan. 1, 1915	42%	420	1,420	480	900	..	..	..
Consolidated Internal Silver Loan of 1886	3	June 30, 1914	24%	120	620	110	510	..	..	..
Consolidated Internal Silver Loan of 1894	5	April 1, 1914	40%	200	700	150	550	..	..	..
State of Jalisco Gold Bonds, due 1930	6	Feb. 1, 1914	50%	500	1,500	330	1,170	..	..	..
Caya de Prestamos (Irrigation), due 1918	4½	May 1, 1914	35%	350	1,350	370	980	..	..	..
National Railways Prior Lien Bonds, due 1957	4½	July 1, 1914	34%	340	1,340	290	1,050	19	92½	85⅝
National Railways guaranteed Bonds, due 1977	4	Oct. 1, 1914	30%	300	1,300	350	950	18½	86½	75⅝
National Railways Two-Year Notes, due 1915	6	Dec., 1914	45%	450	1,450	400	1,050	..	..	..
National Railroad Prior Lien Gold Bonds, due 1926	4½	July 1, 1914	34%	340	1,340	350	990	27	100	99
National Railroad 1st Cons. Mtge. Bonds, due 1951	4	Oct. 1, 1914	30%	300	1,350	240	1,060	16½	80	77½
Vera Cruz & Pacific R. R. 1st Gold Bonds, due 1934	4½	July 1, 1914	34%	340	1,340	320	1,620	21	94	91¾



A scene along the route of the National Railways of Mexico running through an enormously rich mining district

the stumbling blocks in the path of recognition by the United States.

For ten years Mexico was the scene of country-wide chaos and rebellion, of complete disorganization of industry, paralysis of railroad and other means of transportation, of national bankruptcy and the suspension of banking. With the inauguration of the Obregon Administration, there gradually came about a period of political and economic tranquility, and the country in less than a year has apparently settled down and become entirely pacified. The present Mexican Government has evidently been sincere in its expressions of friendship for the United States and for the commercial, industrial and financial interests of this country. This was evidenced in the Fall of 1921 by a decision of the Mexican Supreme Court in regard to Article XXVII of the Mexican Constitution, which literally interpreted would be confiscatory to the property of American interests.

Outside of the question of Mexico's external debt, this article of the Constitution has been the chief cause of delay in the matter of recognition. Although President Obregon has assured the United States that the article would be so interpreted as to remove all possibility of confiscation, yet the United States has held that unless the article is removed from the Constitution or adequately amended property in Mexico owned by foreigners would not be safe from confiscation. The Mexican Supreme Court recently held in a case of the Texas Co. vs. the Mexican Government that the article is non-retroactive.

The Defaulted Interest Payments

The negotiations that have been under way for some time relative to Mexico's defaulted interest payments on her external debt are said to be nearing completion. These negotiations started with a visit to Mexico by Thomas W. Lamont, of J. P. Morgan & Co., representing an international committee of security holders. The visit was made at the invitation of the Mexican Government, and while it was expected that the matter might be settled by that visit yet the general principles laid down by Mr. Lamont were not for political reasons prevailing in Mexico at that time satisfactory to the Mexican Government. Minister of Finance de la Huerta, it was said favored a plan of applying the proceeds of the country's export (chiefly oil) and import taxes to buying in the Government's obligations in the open market. This plan was naturally not acceptable to the foreign bondholders. It is now understood that the Mexican Government is ready to resume interest payments on its foreign debt and to restore the operations of the sinking funds.

An indication of the attitude of the Mexican Government in regard to its obligations is shown by the action of the Government in the gradual rehabilitation of Mexican banks. The present Government inherited from its predecessor a debt of about $30,000,000 to the Mexican banks and to some of the foreign banks operating in Mexico. This debt grew out of the confiscation by the Carranza Administration of these banks in 1917. The cash on hand in the banks was converted to Government uses. The present government, according to reports coming from Mexico, has recognized this debt and is to pay it in bonds bearing 6% interest, repayable within eight years through semi-annual installments of one-sixteenth of the face amount of each bond. The banks are authorized to issue interest-bearing certificates against the bonds, and creditors of the banks are compelled to accept them in payment of claims against the banks.

The Oil Tax Settlement

One of the most important questions affecting the relations between Mexico and the United States has been the dispute over the export taxes on oil. An agreement was reached last Fall between the Mexican Government and a committee of five executives of the largest operating companies in Mexico providing for the payment of such taxes on the basis of 40% of the sums provided in the decree under which this tax was created. Up to December 31, 1921, $13,000,000 had been paid in these taxes, the money being held in escrow in the National Bank of Mexico pending a settlement of a plan to reorganize Mexico's external debt. In accordance with the indentures of certain of her external loans these export taxes are applicable to payment of sinking fund and interest on such loans.

Further negotiations between the oil companies and the Government will have to be held relative to taxes beyond January 1, 1922. There is about $200,000,000 of American capital invested in the Mexican oil industry so that it is of great importance that taxes on this industry shall be just and reasonable. The settlement of last September enabled the producers to earn a fair profit, and as the chief income of the Mexican Government for some time will be derived from oil, an equitable agreement is essential for both parties.

A Typical Mining Settlement in Mexico

Mexican Securities

Coincident with the general improvement

SECURITIES OF AMERICAN COMPANIES OPERATING IN MEXICO

Security	Common Stock Outstanding	Low—1921		Pres. Approx. Price	Pts. Advance	Operations in Mexico
American Smelting & Refining	$60,998,000	Aug. 25	29⅝	52⅝	23	Owns mines and smelters.
Atlantic Refining	5,000,000	June	820	950	130	Owns subsidiary oil companies.
		(N. Y. Shares)				
Royal Dutch	148,740,000	Oct. 17	40½	54½	14	Large oil interests.
Standard Oil of N. J.	98,338,000	June 13	124½	180	55½	Owns large subsidiary oil company.
Mexican Petroleum Co.	10,000,000	Aug. 25	84½	120	35½	Largest oil producing company in Mexico.
Sinclair Cons. Corp.	193,018,000	Aug. 25	16⅛	25	8⅞	Owns subsidiary oil companies.
Greene Cananea Copper	50,000,000	July 21	19	26	7	Owns mines.
Barnsdall Corp. "B"	1,000,000	July 10	14¾	30¾	16	Owns mines, oil land, refineries.
Transcontinental Oil Co.	196,000,000	Aug. 25	6	10	4	Oil lands, refineries, etc.
Intercontinental Rubber	29,031,000	Dec. 10	5¼	8¼	3	Rubber plantations.
Texas Co.	164,450,000	June 21	29	44	15	Owns subsidiary oil companies.
Pierce Oil	23,747,000	Aug. 22	5¼	9	3¾	Oil lands.
Atlantic Gulf & W. I.	14,963,400	June 17	18	30	12	Subsidiary oil companies.

in the Mexican situation, there has also been a decided improvement in Mexican Government bonds, both external and internal, and in the securities of American corporations operating in Mexico. In the tables accompanying this article are shown a list of the chief Mexican Government, State and railway bonds and also a list of securities of American corporations doing business in Mexico. In the first table the percentage of defaulted interest to the selling price of the securities is of particular interest. In some cases the sum of the defaulted interest equals the present selling price of the security. One of the bonds that has shown decided improvement in the last few months is the external 4s of 1904. Both interest and sinking fund have been in default since June, 1914. The unpaid interest amounts to 32%. The bond sells for approximately 52, an advance of 23 points from the low of 1921. This compares with a price range of 88 to 91 in 1912. If the defaulted interest is paid in cash or funded the cost of the bond to a purchaser at the present price would be brought down to 20, at which price, providing interest payments are resumed, the holder would receive a straight income of 20%. Another leading Mexican external issue is the consolidated external loan of 1899. This issue is secured by special hypothecation of 62% of the import and export duties. The unpaid interest aggregates 40%, while the bond sells for 60. During the period of stable government under the Diaz régime this issue ranged from 96 to 97¾ in 1911, 95½ to 97¼ in 1912, and even after the revolution in 1913 did not decline below 87½.

Both the foregoing issues are listed on the New York Stock Exchange and enjoy a wide market. For this reason these two issues have enjoyed more popularity and have consequently advanced more in price than other issues guaranteed by the Government and which are considered part of her external debt. Such an issue is the National Railways of Mexico general sinking fund gold bonds due October 1, 1977. Although listed on the Exchange, the principal market is over-the-counter. This bond sells for around 35, while the defaulted interest on each bond amounts to 30%. This issue is selling out of line and presents an attractive opportunity to the speculative investor.

The Internal Gold Bond

There is one internal gold bond and that is of the State of Jalisco. This bond looks cheap at its current price (33), taking into consideration the amount of defaulted interest attached (46%). The fact that the City of Saltillo, State of Coahuila, late last year, placed in the hands of its fiscal agents an amount sufficient to cover an installment of interest on its 6% water works bonds, due 1929, is a good augury in this connection, as these bonds have been in default since 1913. Practically all State and city external bonds of Mexico went into default in 1913 and this resumption of interest payments is very gratifying as indicating a return to normal conditions the the Republic.

Mexican National Railways

The only Mexican Corporation bonds dealt in at all extensively in this country are those of the Mexican National Railways and Railroads. Of the former, there are three principal issues, one of which, due in 1977 and guaranteed by the Government, has already been described. The Prior Lien sinking fund 4½s of 1957 are secured by a direct lien on the entire property, comprising a direct lien on 5,883 miles. There are about $85,000,000 of these bonds outstanding. The third railway obligation is a two-year note issue, due 1915, secured by deposit of prior lien 4½s and guaranteed 4s.

There are two National Railroad issues, assumed by the Railways Company, the latter having absorbed the former in 1914. Of these bonds, the prior lien 4½s are due in 1926 and are a first lien on 1,598 miles of road. The other bond is a first consolidated gold issue, due 1951, and is secured by a second lien on the mileage covered by the 4½s of 1926 above.

There is one other Mexican railroad bond with a good market in New York, and that is the Vera Cruz and Pacific first 4½s, due 1934, which is assured by the National Railways, besides being a first mortgage on 262 miles of road. This road forms with connections a through line from the Atlantic to the Pacific, and is controlled by the National Railways of Mexico. There is $7,000,000 of this issue outstanding, and it is dealt in actively on the New York Stock Exchange. It should be noted that in 1912 the price range for this bond was 91¾ to 94 as compared with a present price of 35, slightly more than the accumulated interest attached.

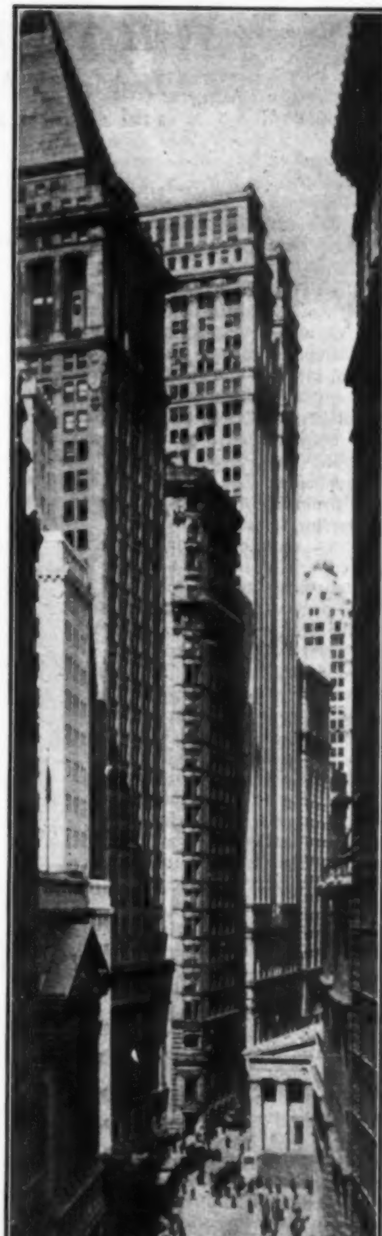
The National Railways of Mexico comprise over 8,000 miles of track, spreading over plateaus, lowlands, winding around mountains and reaching the most important districts of Mexico. Control is vested in the Mexican Government, which owns practically all of the capital stock. Due to the fact that all the lines were confiscated by the Constitutionalist Administration in 1914, and the chaotic condition of Government since then, it is not possible to present accurate figures as to earnings since 1914. Prior to that date funded debt interest was earned by a fair margin. However, the roads are now being gradually placed in a better physical condition, as may be judged by the orders for locomotives and rolling stock to the Baldwin Locomotive Works and steel manufacturers in this country. Wages were reduced 20% last August and rate increases of 25% were granted by the Government.

It might be well to mention that the National Railways of Mexico first and second preferred stocks are listed on the New York Stock Exchange. The price range of the first preferred in 1921 was 10 high and 4⅛ low, and at the present time sells for approximately 11. This compares with a price range of 62⅛ to 71 in 1912. The second preferred in 1921 sold as high as 6⅝ and as low as 2¼, and at the present time sells for approximately 5. This compares with a price range of 26⅜ to 36⅞ in 1912.

American Companies in Mexico

There are foreign concerns with extensive interests in Mexico, in fact the business of some of these companies is wholly in Mexico. To the officials and stockholders of these corporations the pacification and upbuilding of our southern

(Continued on page 879)



THE FINANCIAL CANYON

An unusual view of Broad Street, giving an idea of the huge buildings that cover lower New York

Will Farm Loan Bonds Decline?

Legislation Advocated by Farmers May Have a Profound and Adverse Effect on Valued Outstanding Farm Loan Bonds

JUDGE CHARLES E. LOBDELL

U. S. Farm Loan Commissioner and Executive Officer of the Farm Loan Board

Interviewed by THEODORE M. KNAPPEN

WITH $506,000,000 of Federal Land Bank bonds outstanding, with another issue due soon, and with the ultimate prospect that these bonds will mount into the billions there is a deep and widespread concern among investors in the legislation affecting Federal Land Banks now before Congress or likely to come before it. The Farm Loan Board has itself recommended five changes in the organic act, members of Congress have suggested amendments and representatives of some of the farmers are either opposing the board's recommendations or urging their own alterations.

The policy of the board is in favor of continued and strengthened Federal supervision *and control* with a marked tendency toward the restriction of the field of independent activity of the banks and of the Farm Loan associations on which they are based. Some of the board's recommendations seem to suggest that it might not be displeased if the associations were entirely dispensed with, although they go no further than modifications of their powers.

On the other hand there is a certain movement in Congress, backed by some of the farm organizations and by some of the Farm Loan associations towards early decentralization and independence of the twelve regional banks, as contemplated in the organic act; and there are some signs of disaffection in some of the associations with the conservative policies of the board. There has been such a pressure for loans during the last two hard years, beyond the capacity of the Federal Land banks to meet them, that there has followed a measure of impatience and irritation among the farmers and something of a campaign to persuade the associations to press for control of the banks with a view to enlarging rapidly the volume of their loans.

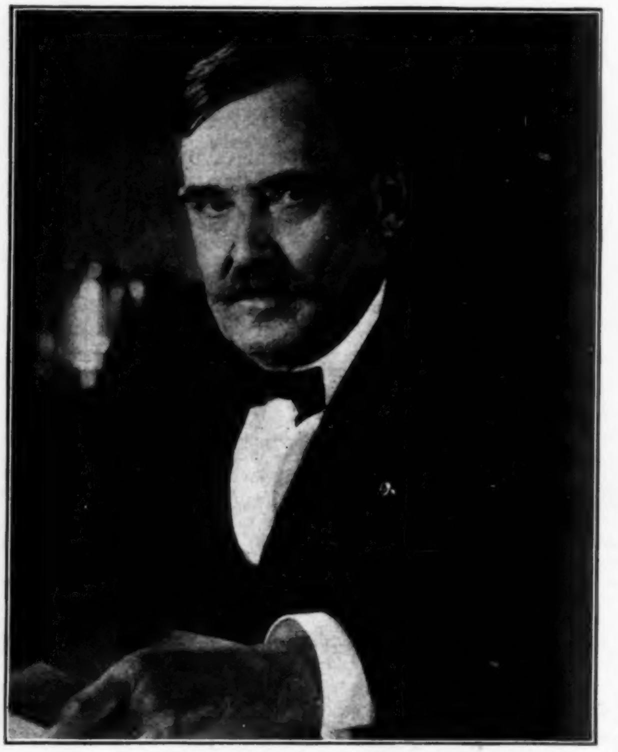
Patrons and Borrowers at the Same Time

The associations, which are made up of local groups of farmers borrowing from the Federal Land banks, now own 78 per cent of the stock of the banks but are not represented as yet on their governing boards, although the original law provided that when the stock of any bank had been subscribed by associations up to $100,000—as is now the case with all of them—its board should consist of six directors elected by the member Farm Loan Association and three appointed by the Federal Farm Loan Board.

The undisguised fact is that the Farm Loan Board has felt from its organization in 1917 that it would be a grave mistake to turn the management of the banks over to stockholders who are at the same time the sole patrons of and borrowers from those banks. During the War Congress authorized the Secretary of the Treasury to purchase $200,000,000 of Federal Farm Loan bonds (in order to avoid competition of those bonds with Liberty bonds) subject to the provision that so long as any of the bonds thus purchased remained in the Treasury, the temporary organization of the banks, consisting of five directors for each, appointed by the Farm Loan Board, should be continued. This provision makes it possible for the board to continue in complete control of the banks until these bonds mature, by simply seeing that the Treasury keeps some of them, and thereby defer the independence of the Federal land banks until 1938.

A National Union of Farm Loan Associations has been formed for the purpose, among other things, of "liberating" the twelve banks and maintaining all the rights of the associations under the foundation act. One of their grievances is that the board frowns upon their coming together and "intimidates" most of the associations from joining. However, this union has been instrumental in causing a California Association to bring a test suit in the form of mandamus proceedings to compel the Farm Loan Board to take steps to put the Berkeley Land Bank on a permanent organization basis, which would place its control in the hands of the member associations. Defeated in a lower court, the union is appealing to the Supreme Court.

It was with these and other pertinent facts in mind that the following interview with Judge Charles E. Lobdell, Farm Loan Commissioner and executive officer of the board was sought.



JUDGE CHARLES E. LOBDELL
Whose views on proposed Farm Loan Bond legislation cast a new light on their status.

Government Control Desirable

"Do you think," Commissioner Lobdell was asked, "that it was a mistake for Congress to provide in the organic act that the Farm Loan Associations should have control of the boards of the several Land Banks as soon as they had acquired the amount of stock prescribed by the act?"

"I should not want to say," was the answer, "that the original enactment was a mistake as it was necessarily somewhat experimental, but I am firmly of the opinion that experience has demonstrated that a different plan would be more effective. The position of the Farm Loan Board on this question is clearly outlined in our fifth annual report, recently submitted to Congress, and briefly reiterated is: We are thoroughly convinced that as a matter of sound policy the banks should always be under complete Government control, with the majority of the Board of Directors representing the public interest; hence our recommendation of a board of seven directors in each bank, three selected by the borrowers and four appointed by the Government."

"Just what do you mean by the public interest?"

"The public interest in the Federal Land

banks is (1) that of the Government, which assumes the responsibility of certifying their bond issues and declaring them instrumentalities of the Government; (2) that of investors who have bought these bonds on the faith of this Government certification, and in the belief that 'an instrumentality of the Government' means something under Government control; and (3) that of the farmers in any land bank district who have not yet received the service of the bank, and who may from time to time wish to borrow. The last is a very important and continuing interest, and would be vitally and adversely effected by anything that impaired the capacity of the banks for continued service."

The Borrowing Interest Should Not Control

"What are the basic reasons for your recommendations?"

"The paramountcy of public interest as already defined. The fundamental purpose of the Federal Farm Loan Act is service to American agriculture and, through service to agriculture, general public benefit. The farmer who has his loan through the federal system is satisfied, is making no complaint, and the great problem of the system is the extension of the service to other farmers by its continued operation. Experience has fully demonstrated that the salability of Federal Farm Loan bonds rests largely, if not chiefly, upon faith in the Government supervision and control, without which continued sale of Farm Loan bonds in considerable volume would be a matter of great uncertainty. The public interests are paramount because the demand for service is a continuing one, and the number of farmers still to be served is much greater than those who have already received the benefits of the system, *and the financial interests of the investors alone in the Federal Land banks are twenty times as great as those of the stockholding associations.* Under these circumstances it hardly seems a sound public policy that the minority, and exclusively borrowing interest, should control a public instrumentality."

How Much Can the Country Absorb

"It is urged," said the interviewer, "that it was the conception of Congress that the Federal Land Banks should eventually absorb the entire farm loans of the country, amounting to $6,000,000,000 or more, and that to do that the rate of issuance of bonds should be speeded up from $300,000,000, the present rate, to $600,000,000 a year. How much of such securities do you think the country can absorb annually?"

"I think any such idea of the conception of Congress in the passage of the Farm Loan Act is entirely erroneous. That such was not the intention of Congress is clearly manifested by the limitations it imposed as to size of loan, as to eligibility of borrower (no one can borrow who is not actually engaged or about to become engaged in the cultivation of the land mortgaged) and the restricted purposes for which loans may be made. It can be only a matter

Federal Farm Land bonds which are becoming very popular among many classes of investors are now outstanding to the amount of over $500,000,000. Under the new legislation proposed by the farming interests, the amount issued yearly would be double the amount of outstanding bonds and would consequently have a profound effect on the value of these bonds. This subject is of the most vital importance to holders of Farm Land bonds, and the accompanying article by Judge Lobdell must be accorded the importance attached to the views of the leading member of the Farm Loan Board.—Editor.

of estimate, but the best obtainable information justifies the belief that not more than $2,000,000,000 of the $6,000,000,000 of loans of which you speak are eligible through Federal Land banks. I think the conception of Congress was that the Federal Farm Loan Act should serve as a regulator and stabilizer of rates, and be of special service to the relatively small farmer. It is impossible of course to forecast the volume in which Farm Loan bonds can be placed. That is necessarily a question of general financial conditions and demand and rate for money in other quarters. This is emphasized by the fact that last Spring it took two months to sell $40.000,000 of Federal Farm Loan bonds, while in February this year $75,000,000 were sold in less than a week. As stated above it is nesessarily a matter of conjecture, and the Federal Land banks must be governed by conditions as they develop,—but so long as the present demand for farm loans obtains it would of course be their policy to make sale of as many bonds as can be accomplished without disturbance to the market."

"Would Senator Fletcher's bill to make Federal Farm Loan bonds eligible collateral for rediscount at Federal Reserve banks have the desired effect of promoting their salability?"

"That is an open question, and this particular bill is a matter more for consideration by the Federal Reserve Board, than by our organization. I should say that it is probable that such an enactment would extend the demand for bonds. There is a strong possibility, however, that it might be attended by overbalancing disadvantages to the Federal Farm Loan System. **The Federal Farm Loan bonds are intended for the investor who buys to hold, and not a commercial quantity. Their steady marketability depends upon their getting into the hands of such investors; which with the bonds issued to date has been exceedingly well accomplished. If the bonds had a discount privilege, and came into use by Banks as secondary reserve, the result in time of stress would be that this secondary reserve would be dumped on the market and necessarily interfere with continued sales by the Federal Land Banks and possibly seriously disturb and curtail the market for new offerings at the very time when new funds were most sorely needed."**

Why They Are Attractive to Investors

"What are the features of the Federal Farm Loan bonds which make them attractive to investors?"

"First: The fundamental soundness of the security; 200% of farm value, the farm occupied and operated by the owner.

"Second: The mutual underwriters of all issues by all Federal Land banks, with a paid up capital of more than $28,000,000;—each bank must pay upon presentation any coupon, or any past-due bond of any other Federal Land Bank.

"Third: Reliance upon Government supervision and control.

"Fourth: Total tax exemption.

"Fifth: The bonds now have the seasoning of five years of operation by the Federal Land banks, during which time they have always paid interest promptly, and the sale of mortgaged lands and reinspection have fully verified the soundness of the basic securities."

"Complaint is made that the Land Banks are not disbursing a sufficient portion of their net earnings in dividends. What have you to say as to this?"

"The Federal Land Banks have all paid dividends to date of December 31, 1921, at the rate of 6% per annum. It is true that some of them have undivided profits accounts which indicates the possibility of being able to pay a larger dividend, but the Federal Farm Loan Board and the management of the several Federal Land banks believe that it is their duty to build the System upon a basis of absolute financial soundness, and guard against every contingency, however remote, which might in the least degree impair that soundness. We are all aware that agriculture has passed through a period of serious depression and adversity,—and until the question of possible losses, as a result of this depression, has been fully ascertained, we believe every Federal Land bank should keep in its undivided profits account an amount fully adequate to absorb any possible loss. The

(Continued on page 871)

"—The Federal Farm Loan bonds are intended for the investor who buys to hold, and not a commercial quantity. Their steady marketability depends upon their getting into the hands of such investors, which with the bonds issued to date has been exceedingly well accomplished. If the bonds had a discount privilege, and came into use by banks as secondary reserve, the result in time of stress would be that this secondary reserve would be dumped on the market and necessarily interfere with the continued sales by the Federal Farm Land Banks and possibly seriously disturb and curtail the market for new offerings at the very time when new funds were most sorely needed."

The Surprising Lesson of Jacob H. Schiff's Investment Methods

Revelations of the Tax Schedules in the Schiff Estate—The Great Banker's Best and Worst Investments—How He Provided for His Family

By RALPH RUSHMORE

JACOB H. SCHIFF, the great banker, the man whose influence was largely responsible for the upbuilding of the Union Pacific Railroad, partner in one of the most active and influential private banking houses in America, a canny, shrewd and intensely conservative man in all other things, bought such securities as Transcontinental Oil, American International Corporation, National Railways of Mexico, etc., at top prices.

That, at first glance, is the most humanly interesting revelation contained in the stolid, prosy schedules in the Schiff Estate as recently prepared for submission to the New York Tax Commission.

An almost equally surprising revelation is that the Schiff holdings at the time of his death amounted, in all, to little more than $34,000,000. Certainly, it may be said, $34,000,000 is a tidy enough sum. And yet, when it is considered that Schiff had accumulated a comparatively immense amount early in his career; that his business activities had been literally enormous up to a few days of his death, it is almost a shock to discover that this man died worth only about half as much as Frick and Anthony Brady and with less than a third of the fortune credited to the late J. P. Morgan.

A cursory analysis of Schiff's total security holdings, however, combined with a little biographical reading, serves to explain away these two "surprises" quite fully. The research will be found doubly worth while in the revelations it makes of the methods pursued by a great, almost venerated Jew in the handling of his material wealth.

DISTRIBUTION OF INVESTMENTS

		% of Group Total	% of Grand Total
Stocks			
Financial Institutions	**$2,659,235**	**60.1%**	**9.0%**
Industrials	609,208	13.7	
Railroads	366,916	8.2	
Mining	344,138	7.6	
Petroleum	251,824	5.6	
Public Utilities	172,262	3.8	
Miscellaneous	9,000	1.0	
Total	**$4,412,583**	100.0%	**16.2%**
Bonds			
Municipals	**$10,360,653**	**51.5%**	**38. %**
Governments	**6,871,320**	**34.4**	**25**
Railroads	**2,071,105**	**10.2**	**7**
Public Utilities	597,693	2.9	
Miscellaneous	215,000	1.0	
Total	**$20,115,771**	100.0%	**74.3%**
Real Estate			
New York City (Property)	$1,115,000	45.0%	
Mortgages	1,447,525	55.0	
Total	**$ 2,562,525**	100.0%	**9.5%**
Grand Total	**$27,090,859**		

How the Fortune Was Distributed

Attention is suggested to the table herewith, showing the distribution of the Schiff fortune, or that part of it devoted to security investments. The table, by the way, does not pretend to include the entire estate, innumerable small holdings that did not lend themselves to tabulation, having been ignored. For all practical purposes, however, the table will be found entirely representative.

The table dispels, at once, any notion that Schiff's personal dealings in speculative securities represented any large portion of his commitments. On the contrary, it is shown that no less than three-quarters of the great man's entire fortune was invested in bonds; and no less than 38% of it in New York City paper—revenue warrants, coupon bonds and corporate stock. One might read into this latter fact the meaning that the Schiff fortune, like all great fortunes, was purposefully diverted into fields that were not taxable. If it could be proven that tax avoidance *was* the chief motive in this connection, a likely argument would be unearthed for those opposed to tax exemptions because of the handicap to "legitimate" industry. However, a broader, and probably fairer explanation might be found in Mr. Schiff's known interest in the City's affairs, his regard for its credit, but principally in a partnership agreement which required every Kuhn Loeb partner to have a certain per cent of his capital contribution to the firm invested in short term municipal paper.

The main fact—that this master builder chose bonds of the highest grade for 75% of his funds—might well be absorbed into the minds of investors, mulled and turned over and considered again. It is an exceedingly interesting bit of evidence as to the ratio of safety which men like Jacob H. Schiff believe a man's security holdings should maintain.

Regard for Bank Stocks

The table shows that Government bonds were the next largest subdivision of the Schiff holdings. The fact needs no comment, since it is right in line with the conservatism referred to above.

It is after determining the third largest subdivision of the estate that the attention is again arrested, this time by the discovery that no less than $2,659,000, or almost 9% of Mr. Schiff's total holdings were in the form of securities in financial institutions—bank stocks, to put it simply.

Much has been said about the merits of bank stocks as investments in this publication and elsewhere. It has been pointed out repeatedly that the average bank's large earning power, combined with the rules of conservatism which it is bound to observe, render bank securities almost the ideal investment medium. Schiff's regard for them, evidenced by the amount of money he put into them, is the best confirmation of this.

Only those intimately associated with the man can know—and in view of Mr. Schiff's reticence about himself it is a question whether even they know—when these bank stocks were bought and how much was paid for them. As a banker himself, however, and with the close relations he enjoyed with many similar institutions, the guess might be hazarded that these bank securities were bought long before Mr. Schiff's death. Bearing in mind the huge profits made by some of our financial institutions during the war and the cash and stock dividends declared, there is no little likelihood that his investments in these issues yielded a very substantial part of his income and principal enhancement.

Chief among Mr. Schiff's bank holdings, in the order of market value on the day of his death, were the following:

Shares	Company	"Then" Value	Present Value
1,500	Equitable	$442,500	$390,000
1,516	Commerce	333,520	385,064
500	City	155,500	156,500
600	Manhattan	124,200	144,000
224	Chase	87,384	64,960

The comparisons between "then value" and "present value" are of only academic interest, since they do not take into consideration dividends paid in the interim. It is interesting to note, however, the regard in which Mr. Schiff held the shares of the Equitable Trust Co.—doubly interesting in view of the favorable report on this issue recently made by the Bank Department of this MAGAZINE.

Common Stocks

Getting down to the stock held by Mr. Schiff, one is rather inclined to emphasize the fact that, out of the shown total of $27,000,000 invested in securities, only a trifle more than 1% was devoted to mining stocks, and even less to petroleum stocks. Analyzing the whole program from this angle, the fact that the man bought some highly speculative issues becomes less startling.

Here, for the benefit of those interested, is a list of some of his stock holdings, with the "then price" and "present price" shown:

		Then Price	Present Price
	INDUSTRIAL STOCKS		
700	American International Corporation	73	43
400	Emerson Brantingham pfd.	71	32
3,181	Replogle Steel..........	81	31
	MINING STOCKS		
4,500	Kennecott Copper......	24	30
	OIL STOCKS		
3,225	Shell Transport & Trading	53	40
700	Transcontinental Oil...	11	9
	PUBLIC UTILITIES		
3,900	Manhattan Railway....	42	40
	RAILROADS		
3,119	Gulf Mobile & Northern	13	11
2,807	Gulf Mobile & Northern pfd.	30	29
2,000	Canadian Pacific........	120	136

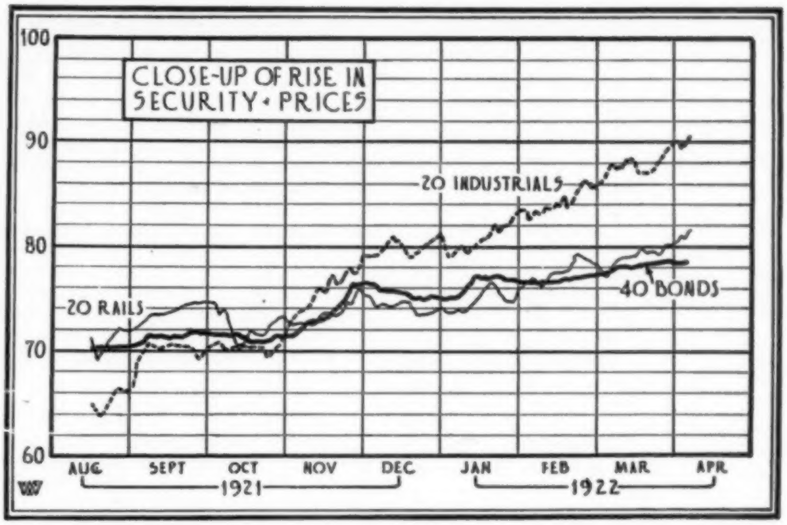
One sees in the American International investment just one more example of the genuine confidence many of this country's first rank bankers and industrial leaders had, back in 1918-19, in the continued development of foreign markets by the United States. American International, as about everybody knows, was formed in the manner of an Investment Trust, funds derived from the sale of its stock to be diverted toward financing industrial activities abroad, stockholders to share in the resultant profits. It purchased controlling interests in a machinery company, operating in France, Italy and the United States; in an Iron Works in Japan; in an American export steel corporation, an American shipbuilding company, a tea exporting house and numerous other equally diverse properties. Assembled on the corporation's directing board were Frank A. Vanderlip, Newcomb Carlton, W. E. Corey, Robert Dollar, Guy E. Trip, Percy A. Rockefeller, John D. Ryan—leaders, every one of them, in their respective fields, affiliated with corporations and institutions which, assembled together, would come close to dominating the American financial industrial world. That Jacob Schiff should invested a little more than $50,000 in this enterprise is in no way surprising, and not a few lesser investors on this side of the water will find consolation in the fact for similar losses they themselves sustained as a consequence of our erstwhile Foreign Trade dream.

The same reasoning applies to Mr. Schiff's other unfortunate investments—Replogle Steel, Transcontinental Oil, et al. When they were made, nobody could have foreseen the collapse which was to follow.

Analysis of these stock holdings would be useless if it was not emphasized again that, in relation to his total holdings, they were exceedingly small. It should be noted, and carefully, that Mr. Schiff bulwarked himself against just such contingencies as occurred, and took no chances at all with the fortunes of his estate as a whole. If all investors, especially the small ones, would keep their speculative commitments down to the same minimum as Mr. Schiff insisted on, there would be less weeping and wailing and gnashing of teeth than there is today.

The Market's Phenomenal Rise

Extent of the Movement Since Last August—Rails Have Sagged Behind Industrials—Factors in the Upswing



IN August, 1921, or just about eight months ago, investment sentiment throughout the country was plunged in gloom. Any likelihood that security prices would advance from the levels then prevailing seemed, to many people, out of the question. Railroad stocks, industrial stocks and high-grade bonds were selling at panic levels.

Starting about the 20th of August, and developing almost over night, the market changed from an ultra-pessimistic affair into an optimistic parade. Growing appreciation of the fact that deflation would have run its course by the end of the year, coupled with the stock market's usual function of discounting events months before they occurred, led to a complete reversal in sentiment.

Since then, investors have witnessed the cumulative growth of one of the most remarkable upswings in security prices in the history of the stock market.

The accompanying graph pictures the extent and duration of the move thus far. It is seen that the average price of twenty standard industrial stocks has advanced over the period by substantially more than 26 points; while 40 bonds, a larger average and perhaps not entirely comparable for that reason, have moved up nearly 9 points.

Features of the movement thus far have been (1) its duration; (2) its extent; and (3) its increasing breadth. The outstanding bull markets of normal stock market history do not outclass the current movement which has accumulated its greatest momentum in its eighth month, and resulted in the remarkable price advances noted above.

The breadth of the market and the volume of transactions have also been phenomenal in many respects. Million-share days, which aroused comment even when they occurred during the war, have become more or less commonplace in a market that has run 1,500,000 shares a day and higher, and has embraced as many as 450 different stocks.

One of the interesting features of this bull cycle has been the failure of the railroad stocks to keep up with the movement in industrials. Although, as the graph shows, the average price of 20 rails spurted up considerably above the industrial average at the beginning of the present move, the rails lost their ground in a reaction that occurred last October, and have generally lagged behind the industrial average at the beginning of the present move.

Commenting on the volume of transactions and the breadth of the market, not a few observers express the opinion that the routing out of the bucket shops from market operations has contributed in large part to putting the destinies of the security market more fully into the hands of the public. When the anti-bucketshop campaign first started in, the opinion was held that the diverting of public trade into legitimate channels, and the honest transaction of orders, would have an appreciable effect on security prices. How great a part this factor has played can never be determined, but there is little doubt that it has been a real factor in the movement.

Outstanding industrial and financial developments during the rise have been declines in money rates, with commercial paper off from 6¼% to below 5%; liquidation of inventory carry-overs by large corporations; increased public buying power due to price cuts that have put many commodities on a pre-war basis. Improvement in foreign relations as a basis for the upturn is also borne out by the graph. Thus, it is seen that, after marking time for nearly two months, the opening of the Arms Conference at Washington early last November marked one of the chief initial spurts of the move. Altogether the change in the character of the security markets has been an exceptionally striking one.

Will the Bucket Shops Come Back?

An Interesting Light on the Plans of the Self-Styled Brokers Who Have Recently Taken the Bankruptcy Way Out—Eternal Vigilance the Price of Pocket-Book Safety

By **W. SHERIDAN KANE**

Upon discovering that his horse had been stolen the man hastened to padlock the door of his barn. Whereat his neighbors jeered him.

"Ha! Ha!" they said; adding, "Ho! Ho!"

But he scorned their derision.

"I know what I'm doing," he said, when they had tired of their scornful laughter. "I've got two other horses in there, a ton of hay and a Ford—and if the guy who took my horse is coming back tonight, he'll find that Æsop had the wrong dope."

THE bucket shop operators who have been going through the bankruptcy courts since THE MAGAZINE OF WALL STREET launched the campaign against the illicit broker—beginning in the issue of November 12, 1921,—are planning to get back into their nefarious business, counting upon the short memory of the public and the relaxation of official vigilance.

True, the public has lost millions and would still be losing other millions but for the exposure of their methods which roused public anger, stirred the legal authorities to action, and brought about runs on the crooked bucket shops that they were unable or unwilling to meet. Some of them went voluntarily into bankruptcy; others took the course involuntarily, but happily and in most instances through the kindly assistance of such accommodating "creditors" as confidential employees and friends who had loaned their names for use on the books—to head the accounts used to carry a position against the legitimate customers. A "friendly" receiver "looking for a break for himself" will go a long way to protect the crook from being brought to answer for his misdeeds.

Why He Doesn't Feel Discouraged

Another thing, the bucket shop operator feels reasonably secure against criminal prosecution by State authorities so long as his books and other records are in the possession of a receiver—particularly a "friendly" one—appointed by the Federal Courts. It may be dangerous to drop books from a ferry boat or to burn them in a furnace, but there is small chance of a State grand jury autopsying a set of books that have passed to the protection of the federal courts.

Therefore the smile on the face of the tiger of the financial jungles when he hands over the key and the combination of his safe to the receiver.

There is a disposition in certain quarters, moreover, to obstruct the prosecution of these conscienceless crooks. For some reason, which may be guessed at but has not yet been openly declared, the legislation that will prevent the bucket shop thieves from re-establishing their snares is voted down or pigeonholed by the legislators whom the people elect to pass laws for their protection. Or if the laws themselves are passed the legislation is hamstrung through failure to pass the appropriation necessary to carry out prosecutions for violations of the law.

Every effort is made to prevent the victim of the thieves from placing a lock on the door after part of his belongings have been taken from him. When the thieves return they are going to find it just as easy to get the rest of the good man's belongings—unless he arms himself with a shotgun and waits up for them.

Eternal Vigilance—a Necessity

"The bucket shops are out of business," we are told. "What's the use of locking the door now? They're through."

But the trader who takes this without a large lump of salt is just as apt as not to fall again into the clutches of a bucket-shop, and only realize it after he has been "cleaned" anew.

To-day—not to-morrow, but to-day—most of the brokers who are doing business are honest. Some of them, it must be feared, are only temporarily honest. So long as the policeman is in sight they may be trusted, but after the officer has rounded the next corner the old reliable blackjack may be brought into action on the head of the nearest citizen whose appearance suggests he is worth frisking.

Therefore the need for vigilance. Before—not after—entrusting funds to a new broker it will be well for the investor or trader to seek the advice of some one who *knows* the standing of those who are engaged in the brokerage business. THE MAGAZINE OF WALL STREET, for instance, maintains an Inquiry Board for its subscribers and passes daily on the standing and reliability of scores of brokers located throughout the country.

For investing and trading can be safe if one does not go helter skelter about the selection of a broker or of a security. Eternal vigilance is the price of pocket-book safety, and the fact that the bucketeers are looking forward to an early return to the hunting grounds need cause no apprehension among buyers of securities. Yet it is well to know just what the gentry are planning—how they are talking among themselves—what new devices they are working out.

About "Bullee"

But just before going into that I want to tell the story of what happened to——well, let us call him Bullee. The financial underworld has laughed its sides sore over Bullee's discomfiture.

"Gentlemen," said Thos. F. Bullee, senior, junior and only partner in a "failed" brokerage house of Thos. F. Bullee & Company;—

"Gentlemen," said Mr. Bullee, resuming his remarks where we broke them off, "I have given up everything to you. I have come clean."

"Yeah," commented one of his audience at this creditors' meeting they were holding, "Yeah, clean is right. We came here clean and you have come clean of anything that even resembles an asset. Clean!"

Mr. Bullee threw out both hands, palms upward, as if to illustrate that he had nothing tangible to add to the small salvage the receiver had been able to make after liabilities of something over $150,000, and assets of only $2,500, in value had been discovered. Further, the liabilities were actual, while some of the assets were only nominal.

With his arms extended, still palms upward, Mr. Bullee faced his creditors. He exuded righteousness and perspiration at every pore, but he tried hard to affect more than an air of righteousness.

Mr. Bullee still stood facing his victims with arms outstretched and palms outward. This was a tactical error. Mr. Bullee was striving only to bring about mental reactions. He did not consider the possibility of a physical demonstration being suggested by his position. The attorney for the Creditors' Committee, a little wiry man, leaped suddenly forward. Somebody yelled. It appeared the little man was endeavoring to jab his right fist through Mr. Bullee, about eight degrees north of his equator. Yet in his anger or in his haste he had forgotten to double his fist and all five fingers were extended. Had he been aiming for Mr. Bullee's thatch, one would have imagined the contemplated pulling out a handful of that gentleman's hair.

Mr. Bullee was at a disadvantage for he still kept standing with his hands outstretched and palms upward. Before he could assume a defensive attitude, the little attorney's hand came back, clutching Mr. Bullee's watch and chain. Mr. Bullee made a grab at it. The little man evaded him and jammed the watch and chain, which he had torn from Mr. Bullee's vest, into his own pocket—pants pocket, for greated security. The next instant he had caught Mr. Bullee's right hand with both of his own and was dancing hysterically.

"Hold him! Hold him, somebody," he yelled. "Hold him until I get this ring from his finger."

Then followed a scene that would have caused a movie Comedy director to turn green with envy. It ended when powerful Mr. Bullee succeeded in wrenching his hand loose but this was only after his assailants were breathless with effort. There was blood on Mr. Bullee's finger where the ring had torn

Mr. Bullee's flesh. But the stage diamond, albeit, had assumed somewhat of a sanguine hue where Mr. Bullee's life blood had spattered it. Only the thickness of Mr. Bullee's knuckles—which suggested that he had done much manual labor before entering "brokerage"—saved him from losing the ring.

Mr. Bullee made his escape, breathing heavily. He acted as if he was glad to go away from there. The little man turned to the receiver and held out the watch. "Take this, Mr. Receiver," he said, "add it to Mr. Bullee's assets." Then he sighed regretfully, "but I wish I had captured that ring also," he murmured.

Bullee, by the way, is one of the bucketeers who is said to cherish the illusion that he is "coming back." He, and many, many others of them, have convinced themselves that they are going to resume work at their old trades; if not at the old stand, at least next door.

It may be only a delusion and yet,—yet——

Inside Jobs

There is no doubt that a great many of these so-called bankruptcies of bucket shops are "inside jobs." A scandal is brewing that may be a more noisome mess than the bucket shop disclosures which grew out of our exposure of the methods of the crooked brokers and was continued until the victims, warned and educated, ceased to contribute, ceased either to stand or to deliver; but, instead, endeavored to escape from these financial highwaymen.

But as to the inside jobs, and the scandalous administration of the assets of many of the bankrupts, more later. Let us consider first, if, as most of them believe, the bucket shops are coming back with a "bang."

"I'll be back in business in two months," said one of these rascals to me the other day, "and I am coming back bigger than ever."

He has a Dexter Fellowes imagination, this down-and-out bucketeer. "I can get the dough all right. I have got three or four fellows lined up already. I can get the whole roll from a gambler up-town whose got a drag with the D. A.'s office."

"Yes," I said, "but about this bankruptcy, the one you are going through now."

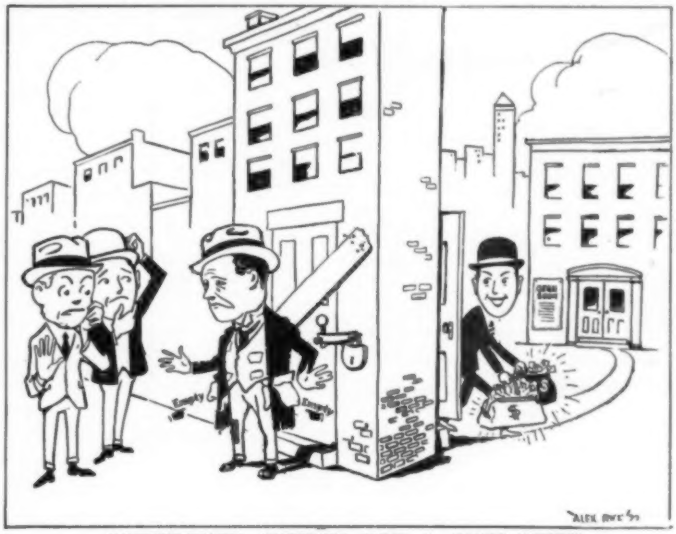
"That's all right," he said, "I'll make a cheap settlement."

"How are you going to fix that?" I asked, "How do your creditors feel?"

"I don't know how they feel," he said, "and I don't care much. I have got a receiver who will do the right thing by me if I give him a good break. In the meantime there will be a couple of scraps with the Creditors' Committee, one of which I have got to go to next Monday. I understand the Creditors' Committee has hired the same little lawyer that jipped Tom Bullee of his watch. Believe me! I am going to leave my watch home that morning. When I leave the house I will have carfare and lunch money, and nothing else. They ain't a-goin' to frisk me."

"Yes," I said, "it sounds well. But how are you going to settle so that you can start up again?"

"Well," he said, "it's this way. I will get a *dis*charge in bankruptcy in about sixty days, and I figure the market is going to turn then and start downward. Then I will take this sucker, or whoever else I may get as a backer; put his B. R. into his business; stick his name over the door; and then, get hold of a couple of producers who can throw in about thirty thousand in equities apiece. The public will have forgotten all about it by that time. It will be old stuff to the newspapers, and you won't be able to get an inside paragraph on it. I know advertising agencies that will guarantee to get your 'ad' in the first-class daily papers. I will have a ticker inside of six months."



"GENTLEMEN, THERE'S NOT A CENT LEFT"
Not a cent is right, except for the dollars reserved to open a new shop

"Very pretty," I said, "but maybe the authorities will not relax their vigilance; maybe the public temper will not cool; maybe you will find you cannot climb back—can't come back—may even 'go up'."

"Not a chance," he said. "There are five or six of the boys 'going up the river' but they were darned fools. We lived right up to the letter of the law; executed every order, and you couldn't prosecute me on a charge of even jipping a customer out of a two-cent stamp. But these other fellows got careless and thought they could get away with it by merely exchanging confirmations to show the execution of orders. About six or eight of them will do time and that will be the end of it."

This expresses very well the attitude of the average bucket shop operator who has closed his doors in the last few months. But if, as they believe, it is to be merely an Augean cleaning, to be effective only so long as the stream is temporarily diverted, then the crusade will have been in vain, except for what it may have saved the American public during the period these places were closed.

Only the other day I saw a half-dozen of these fellows in a well known downtown restaurant. Broke they may be, but they are still living off the fat of the land. They still wear their purple and fine linen, except when they must attend creditors' meetings, and then the oldest clothes are dragged out of the wardrobe. A two-day-old collar is also effective on these occasions.

Hard Luck

One of them came over and sat down with me and began enlarging on his own honesty, and on the hard luck that had caused him to go into bankruptcy.

"You know," he said, "Senator John Smith?" that was not the name he used, "he was a partner in our firm. We carried him as a special partner for a while but he was always our B. R."

It may be well to explain here that B. R. is always used by these make-believe brokers when referring to a "bank roll." B. R. corresponds to the "Angel" of theatrical parlance. D. A., which also frequently crops up in the course of their conversations, refers, as one will easily grasp, to the District Attorney.

"The Senator was going to kick in with $50,000 to carry us over the run that was started on us by the articles which you had published regarding bucket shops. We stood off a great many of our people, and if we could have gotten $50,000 cash, we could have sailed through the storm.

"But the Senator had to drop dead, just as he was getting off a steamer after returning from a trip to Cuba, and,—bingo!—there went our chance. There was nothing to do but blow. And we blew."

An Interesting Case

It may be interesting, however, to record here another reason why this particular "brokerage house" was closed up.

A reputable New York Stock Exchange house received an order from a woman client, directing that her account be transferred to this bucket shop. A respectable concern is in somewhat of a quandary when it receives such an order. Having the interest of its client at heart, the honest broker feels compelled to warn him of the character of the house to which the transfer has been ordered. Yet, if he does this he creates the suspicion in the client's mind that he is merely "knocking" a competitor. (*Continued on page* 878)

Foreign Trade and Securities

Have German Marks Struck Bottom?

Reasons Why the Value of German Currency Is Near the Vanishing Point—Prospects for Stabilizing "Marks"

By **E. D. KING**

DURING the past two years it has been demonstrated to American investors and speculators that it may be very costly to speculate in foreign currencies, and that their par value may have very little to do with their real value. They have also learned that sometimes there is no apparent end to a declining movement in foreign currencies.

German marks offer a case in point. Directly after the war, the reichsmark had a value in American currency of something like four cents, compared with a par value of 23.8 cents. Considering this price in relation to its former par value but entirely unmindful of the tremendous change which had occurred during the war to establish the German mark on a lower value basis, investors all over the world rushed in to buy German marks lured on by the idea that something which was once worth 23.8 cents and could now (at the end of the war) be secured for almost one-sixth of its former value, was indeed a bargain and should be bought.

The result was that thousands of investors, principally Americans, loaded up with marks until there were tens of millions of dollars "invested" in this exchange. Unhappily, the mark did not forthwith turn about and ascend to its old value of 23.8 cents. On the contrary, it promptly started a declining movement which has practically been without parallel in the history of the principal world currencies. Not even the United States at the end of the Civil War, when the dollar had depreciated in world markets to within 30% of its par value, offered so lamentable proof that war does not pay. The fact is that the German mark has depreciated not 30%, but 99%. In other words, the reichsmark commands a value today of only 1% of its former value.

GERMANY'S BALANCE SHEET
Dec. 31, 1921
(In billions of marks)

ASSETS

	Gold marks	Paper marks
National wealth	225.0	....
Foreign assets held by German citizens abroad	2.0	....
Total	227.0	....

LIABILITIES

	Gold marks	Paper marks
Reparations account	126.5	....
Occupation expenditures	10.0	....
Foreign investments in Germany	....	130.0
German bank notes abroad	....	35.0
Funded Gov't debt	....	78.6
Floating Gov't debt	....	264.3
Paper money in Germany	....	78.6
Loan Bureau notes	....	8.3
Total	136.5	429.8
Grand total (combined gold and paper marks)	....	566.3

Speculation in Marks Continues

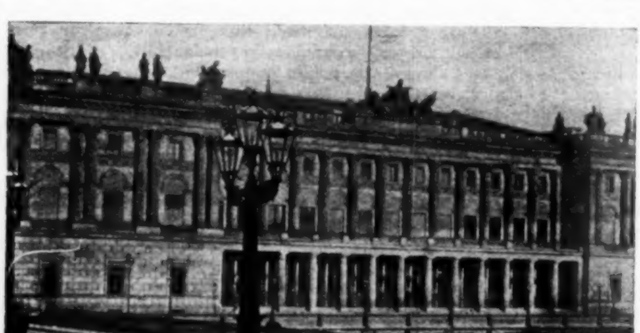
Undaunted by the decline of the mark to around three cents at the end of 1919, investors persisted in accumulating this currency, under the obsession that it would return to its parity. But it did nothing of the sort. In successive months of 1920 it dropped gradually from about two cents to a cent and a third at the beginning of 1921. For a little while there was a slight tendency toward stabilization, but fresh weakness broke out about the end of April and by the end of the year the mark which was once worth 23.8 cents was selling in world markets at one-half a cent. Despite this already tremendous decline, the mark has persisted in its downward movement and at present writing is quoted at the lowest price in history of one-third of a cent.

In this decline, many Americans have lost fortunes. The extent of speculation in German currency in the United States is undreamed of. The holders of reichsmarks in this country are composed of all classes and conditions, from wealthy investors to poverty-stricken laborers.

During all this period of decline, THE MAGAZINE OF WALL STREET has discouraged speculation in the mark. American bankers, and others, conscious of their higher obligations to the public, attempted to discourage this speculative activity. Very little good came of it. The German mark with a face value of 23.8 cents that could be secured at one time at 4 cents, then at 3 cents, then at 2 cents and, finally, as at present, at one-third of a cent, proved a lure that was irresistible, and the result was that it cost individuals in this country upward of $100,000,000. When to this is added the large amounts lost by Americans in Austrian kroner, Polish marks and other practically worthless European currencies, it will be appreciated that this foolish speculation has been very costly.

Absurd Ideas

When a man suffers a large paper loss in stocks he is buoyed up by the hope that eventually his stocks will "come back" and thereby permit him to escape unscathed. If he has been careful enough to invest in standard securities, he is indeed very likely to come out without a loss provided he has patience. But the situation appears to be quite different in the case of the European currencies which have depreciated to an infinitesimal part of their former value. The Russian rouble is perhaps an extreme case but, as ridiculous as it sounds, there are still misguided people who are speculating in roubles on the theory that they will "come back." How absurd such a theory is may be seen from the fact that the Soviet rouble commands a value of 300,000 to the dollar—equal to over $150,000 in terms of the old rouble which once had a par value of 52 cents. Only an entirely unsophisticated individual could ever imagine that the rouble would again be worth 52 cents. For the fact is that the situation in Russia has changed to such an extent that a comparison between the present rouble



BERLIN BOURSE

and the old czarist rouble simply cannot be made.

German marks offer an almost parallel case, though by no means so extreme. If one has his eyes on the old value of the German mark and considers its present worth one is apt to be misled in making a comparison. For the present mark compares with the old mark of Germany about as much as an image compares with its original. The likeness is there. The appearance is there but not the substance.

Reason for the Decline

If the reichsmark commands a value of only $.0030 in contrast to the old value of $.238, there must be a good reason for it. The reason is simply that owing to the devastation caused by the war, her frightful losses in manpower, the huge increase in her indebtedness, Germany today is in a very precarious position financially. She has been unable to make any considerable financial headway since the conclusion of the war. The payments which she must make the Allies are entirely beyond her power and unless these payments are modified, her outlook is very black.

Printing Press Active

Under the circumstances, it is not surprising that the mark should have declined to within 2% of its former value. In order to supply the deficiencies in her national budget, Germany has been compelled to enter the industry of making paper money. Her outstanding note circulation today is upward of 123,000,000,000 marks, almost equal to the entire national wealth (as estimated in par value of the mark) in the year of 1914.

Germany was once upon a time on a gold basis but she has been so drained of her gold resources that the amount of gold which she has behind each paper mark is infinitesimal. In view of the fact that the total gold reserves of Germany are equal to only about 993,000,000 marks, it is apparent that the tremendous outstanding total of 123,000,000,000 paper marks has very little gold support. In other words, there is only about $1 gold behind each 125 paper marks. On this basis the mark is worth about eight-tenths of a cent which compares almost equitably with the present value of one-third of a cent. At the most, the mark is undervalued by only one-half cent, representing the legitimate scope of her fluctuations under existing circumstances.

In order for the mark to advance even as little as several cents, a fundamental change would have to be made in German financial conditions. For one thing, the outstanding amount of her note circulation would have to be greatly reduced. The way in which her marks are held is about as follows: of the total outstanding 123,000,000,000 marks, about 85,000,000,000 are held in Germany and about 38,000,000,000 are held abroad. It is improbable that there will be an appreciable reduction in the amount of German marks held abroad for a long while to come. On the other hand, a not inconsiderable amount of marks has been hoarded in Germany. Should the government through taxation or some other means be in a position to force these marks into the open and withdraw them from circulation, the result would be to limit the outstanding amount of marks causing a rise in its exchange value proportionate to the amount called in.

The Real Problem

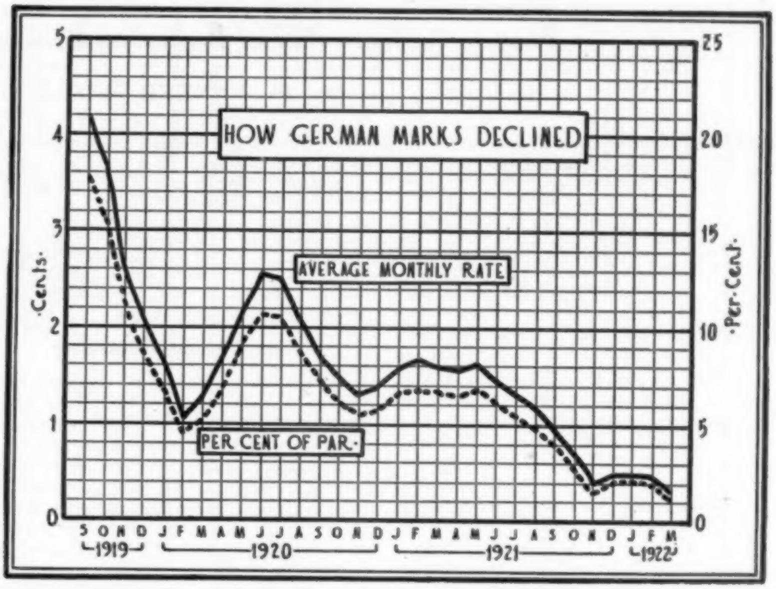
Essentially, however, the problem remains one of rehabilitating German finances on a basis to permit her to go ahead with production and the payment of her just war-debt. As long as Germany is tied hand and foot by the present agreements between her and the victorious powers, she will remain in a seriously weakened financial position. Her budget will continue to show huge deficits and she will be compelled to resort to the printing of new issues of paper marks in order to supply the deficiencies caused by her inability to balance her budget.

A very serious situation confronts Germany today. On account of the progressive depreciation of the mark, Germany is approaching a position in international trade which will make it impossible for her to take advantage of the situation created by her cheap labor. She will be unable to secure raw materials, upon which her industries depend and she will join the bankrupt nations.

Thus Germany faces a crisis of the first magnitude. She herself is not in a position to regain her balance, financially speaking. She must be aided from the outside and by the very nations which helped to defeat her in the late war.

Germany's Balance Sheet

An analysis of the accompanying table showing the financial position of Germany clearly indicates why the reichsmark is selling at so great a discount. Estimated in gold marks, the total national wealth of Germany, including investments made by her citizens and corporations abroad amount to about 227,000,000,000. Her total gold mark liabilities are estimated at 136,500,000,000, leaving an apparent surplus of 90,500,000,000 gold marks. But opposed to this is a total domestic liability of 429,800,000,000 paper marks, leaving a balance of 90.5 gold marks for each 429.8 paper marks or a deficit of about 80%. Assuming that Germany were to liquidate her creditors including her nationals could receive no more than 38 cents on the dollar. Of course, this is purely hypothetical, but it may serve to show the deplorable financial condition in which Germany is today. The situation may be brought out more vividly by contrast. Thus the United States with an estimated wealth of over $250,000,000,000 has a total debt of about $25,000,000,000, including note circulation. In other words the assets of the United States are ten times the amount of its liabilities. The total liabilities of Germany, on the contrary, are eight times the amount of its total assets. This may bring out more clearly why the dollar is quoted at par practically all over the world and the German mark is quoted at only 1.2% of par.



Why American Investors Should Be Careful

Many facts and figures could be brought up to show why the reichsmark commands such a small value but for ordinary purposes the above will suffice.

The purpose of marshalling the facts against the German marks is to bring the situation clearly before American investors so that they may better understand what they are doing when they speculate in this nearly worthless currency and in other foreign currencies of equally dubious value.

The Outlook for Marks

The question may now be asked as to what reasonable hope there is of a sufficient recovery in reichsmarks to permit investors to make up part of their large losses. A glance at the balance sheet and the income sheet of Germany, the latter showing a very heavy internal deficit, indicates that from the viewpoint of tangible assets, there is very little in favor of an advance in German marks. However,

(*Continued on page 866*)

Money, Banking and Business

The Return to Normal Conditions in Business and Finance

Improved Outlook Highly Encouraging—March the Turning Point in Business—Era of Depression Evidently Left Behind

By **H. PARKER WILLIS**

THE month of March on the whole has probably registered more decided gains in the movement of business back to a normal condition than any recent period of equal length. This is not because of any sudden "spurt" in the statistical showing made by different industries. It is merely the definite acceptance of a more hopeful point of view and the revision of business plans upon a basis corresponding to this improved outlook that seems to make the month a turning point in the recent development in trade and industry. Qualifying factors are seen in the development of a serious coal strike and in the continuance of extensive strikes in New England. The belief that these disturbances will be settled at an early date is very general. Should it be disappointed, there may be another interruption of progress. At present no serious break of the kind is apparently expected but on the contrary there is hopeful expectation of continued improvement in the business situation.

Growth of Steel and Iron Output

The notable fact in connection with production that has made itself evident in the past few weeks is the increase in steel and iron output. According to reliable trade reports, the plants of the United States Steel Corporation are now operating on a basis of perhaps 70 per cent of capacity, while those of the so-called Independents are operating at from 60 to 65 per cent. The more optimistic estimates of the situation give the entire industry an operating percentage of close to 70 per cent. This improved state of things is not fully reflected in the figures of unfilled orders because of the fact that as yet many enterprises are not placing their orders far ahead but are working upon a very short term basis.

In part, this hesitation about placing forward orders on a large scale is perhaps the least satisfactory element in a situation otherwise very encouraging. The orders which are coming to the steel plants originate with the latter industry which looks forward to an active and successful season, with the railroad equipment companies which are now fully up to or ahead of normal in most cases in activity of operation and, to an extent also, from the railroads themselves which are finding it necessary to place orders for rails and other materials long needed. **If the steel industry is, as it has been in pre-war years, a good index of the general activity of business, then business itself is today strongly upon the up-grade.** The fact that a better demand has been developed in the copper industry as well as in other lines is likewise encouraging and bears out the belief that the growth of activity in steel is only one element in a generally improved situation.

Money Situation Satisfactory

This encouraging outlook in basic industries is fully paralleled by the improvement in general money and investment conditions. During the recent past the stock market as the usual graph herewith presented shows has excelled in turn-over and in level of quotations any recent record. The better prices which started at about the beginning of the year have continued and bid fair to move on upward to still higher levels. Starting with a marked improvement in bonds of all classes, the demand has now spread generally throughout the stock market and trading has been exceptionally broad in recent sessions. This great demand for stocks at higher prices is partly no doubt due to an easy and abundant supply of credit.

Time money, as shown by the accompanying graph, has maintained a very moderate level while call funds at times have been even lower. The rate on bank acceptances has gone back to pre-war levels and commercial paper, with a prevailing rate of 4¼ per cent, has been about as easily marketable as could reasonably be expected. In the banking system as a whole there has been a continued accumulation of funds and an almost steadily advancing reserve ratio. This situation has strongly tended to increase confidence in the business future, more particularly in view of the fact that bank loans in many parts of the country where assets have become "frozen" have now been liquidated and brought to a far more satisfactory position.

There is no longer any doubt about the adequate financing of the forthcoming crop, while the higher prices for agricultural products which have maintained themselves during the past month and have, in fact, at times advanced still further, have stimulated producers to the cultivation of a larger acreage than had been expected. Agricultural discontent, which a few months ago was very general and very injurious, has been in no small degree allayed. **Entirely without reference to the abnormal accumulations of gold which are the result of more importations of that metal, the banking situation is perhaps stronger today than at any time in the past and this notwithstanding the fact that in some parts of the country there still remains a body of frozen assets which will have to be liquidated.**

Discount Rates

The discount rates of the Federal Reserve System have been gradually reduced on the whole during the past month through the action of interior banks of the System in bringing their 90 day rate to the 4½ per cent level established originally in New York. Reductions in European central bank rates have tended at the same time to bring about a closer equality of money conditions in the two continents, and it is the expectation of many that still further reductions of discount rates will take place in the near future. For reasons often stated in the past, these rates do not in the United States exert the direct effect on commercial rates that they do abroad, but their indirect influence is nevertheless very considerable. We may, therefore, quite confidently look forward to a season of abundant credit at very reasonable figures, although the experience of our banks during the past year or two has undoubtedly made them much more cautious in their consideration of applications.

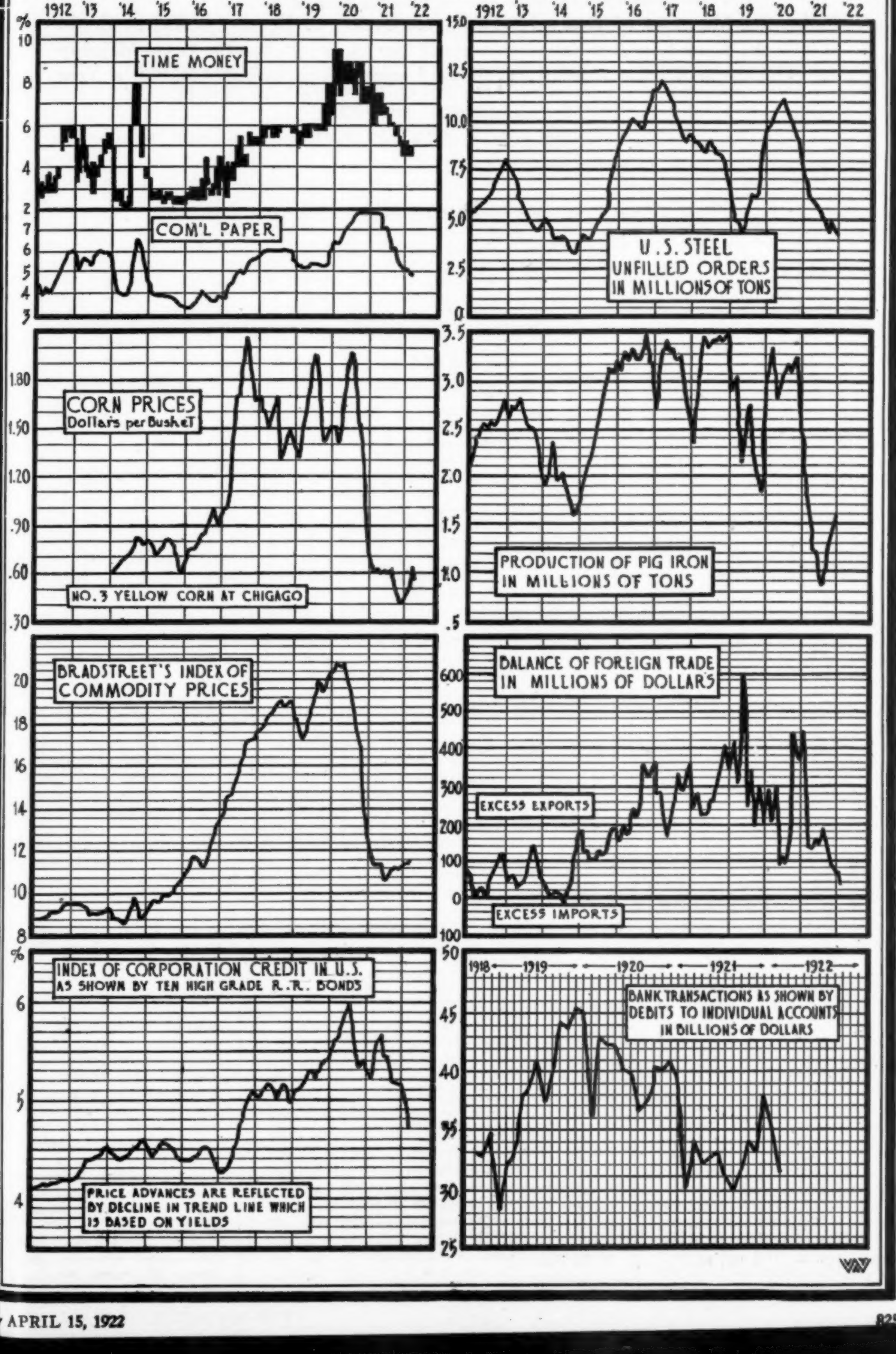
Foreign trade financing continues to be the least satisfactory element in the entire situation, although there are already indications that, even in that field, the extreme caution which has prevailed during the past months is being qualified. The action of the Federal Reserve System in changing the status of bankers' acceptances by dispensing with the documentary evidence of an underlying transaction in certain cases tends to relax credit still further. How far this change will prove to be effective in the long run remains to be seen. But the immediate effect of it is to make the access to funds in foreign trade easier than would otherwise have been true.

Upward Movement of Prices

Prices after having been substantially stable for something like eight months have now taken a slight turn upward. With conditions throughout the world a

(*Continued on page* 884)

THE TREND OF MONEY, PRICES AND PRODVCTION



Financing the Small Business Man

Eighty-Six Men Out of Every Hundred Are Unable to Receive Sufficient Credit at a Bank; Some Few Are Extended a Small Line of Credit, But the Great Majority Are Unable to Borrow at All; Yet These Persons Borrow $100,000,000 a Year

By **CLARENCE HODSON**

Director, Legal Reform Bureau to Eliminate the Loan Shark Evil, Inc.

THE demand for sums of money with which to meet necessities or opportunities has always existed and will continue to exist so long as the world stands. You cannot go so far back in history that you can find the time when the lending of money and payment of interest therefor were not common every-day occurrences.

The Israelites of old were forbidden to demand usury. This presupposes the firm entrenchment of a system of borrowing and lending money. Back in the Middle Ages somebody discovered a passage in the Bible that prohibited taking of interest. The English Parliament later very zealously passed a law to that effect, proving that the necessity of borrowing then still existed among the inhabitants of our little globe. But people still had to borrow—an act of Parliament had little effect upon this universal need. When they found that the prohibitory law simply increased interest rates, the English legislators modified the act, permitting anybody to take interest, but limiting the rate.

In our own country, money lending has always been a business the adherents of which, strangely enough, occupy both the highest and lowest positions in the public regard: witness the small-town banker on one hand and the "loan shark" on the other. I have heard it said that Abraham Lincoln's first public address was devoted to the discussion of the prevailing high interest rates and he pledged himself, if elected to the Legislature, to put through a law making such rates illegal and punishable.

Banks Loan to Customers Only

A relatively small percentage of the demand for loan service is supplied by banks and trust companies. It is said that only seven persons in a hundred maintain a bank account. Some of them maintain several bank accounts, but ninety-three persons in a hundred have no bank accounts at all. Let us be on the safe side and say that banks can lend to 20% of the adult population of this country. Now, banks undertake to make loans as a rule only to their customers. Also they make no loans except on certain types of security as collateral. Banks are financed and equipped to serve especially the proper financial needs of manufacturers, wholesalers and merchants. That they serve them well, and that to a great degree the growth and prosperity of our country is due to the service rendered by our commercial banking system, are facts disputed by none. The banks render the greatest possible service to the public and their officers and directors are patriotic and public spirited to a degree.

It is the banks that will have the great burden of bringing back prosperity to our industries and our commerce. They let big business have the money with which the wheels of industry turn and which gives employment to labor. While they also cater to the smaller business man, they often find that a deposit account carrying a balance of less than $200 or $300 is more an expense than a profit.

Where Shall Average Man Go?

Neither national banks, state banks, trust companies nor savings institutions are equipped to handle other than the regular commercial loans. What about the average man,—the small factory owner, the jeweler, the hatter, the electrician, the blacksmith, the minister, the lawyer, the doctor, the druggist and the butcher, baker and candle-stick maker? Does not he also need loan facilities to meet payments, cover setbacks and emergencies and take advantage of opportunities generally? Savings institutions were established for him in an era when his borrowing requirements were small, and for that reason did not take them into account. He can put his money into a savings institution, but can seldom borrow from it.

In every city, village and hamlet there are many trustworthy individuals who need money for worthy purposes, but they cannot borrow it at a bank. This is not because the bank is indifferent to the wants of the every-day members of a community or niggardly in its attitude toward the little fellow. Indeed, the average commercial bank will usually be found alert to individual and civic good and generous in its desire to promote anything that will strengthen confidence and improve business for the benefit of all. Yet the commercial bank is hedged about by certain restrictions in the matter of lending and usually finds itself in a position to take care of only a part of the demands made upon it for loan service. Is it surprising then that they should give preference to the larger commercial firms asking for loans, which have the proper liquidable security to offer? The great majority of people do not realize how and why a bank's credit must be conserved and usually they cannot understand the bank's refusal to accommodate them when they are so deeply satisfied in their own minds that they ought to be a safe risk. They do not know very much about the importance of quick maturities—sixty or ninety days.

The necessity of borrowing money for short periods of time is common to the man of large and small means, to the merchant prince as well as to the small business man or the man who works for a daily wage. Few successful men could have attained their present positions had it not been possible for them to secure loans at time of temporary need. Business experiences furnishes innumerable illustrations of financial ruin because of inability to secure loans. The small business man borrows to buy goods, to meet his payroll and to finance productions. To him the ability to borrow is often closely tied up with opportunity and lacking the proper loan facilities, people below the commercial-banking line lose their opportunity or the results of hard work put into a promising enterprise.

Having definitely established the absolute necessity of the average individual for loan facilities he usually cannot get at a bank, we are confronted with the problem as to how this need is to be met when the emergency or opportunity arises in the life of Mr. Average Man. Of course, he may call on his friends. Granting that he can borrow from a friend when he requires it, did it ever occur to you the position he places himself in by asking a favor of this kind? The friend who lends him the money too often looks upon him with suspicion until the loan is due and if it is not paid promptly he has lost a friend. Again, we do not always have the kind of friends who are willing to lend us money nor are we always willing to disclose our money matters and difficulties to our friends. With an appreciable percentage of borrowers it would also be a question if their friends were in a better financial position than they themselves, so on the whole, applying to friends for loan accommodations is, to say the least, a very unsatisfactory procedure.

But Mr. Average Man has still one recourse open to him. He turns to the "loan shark." (*Continued on page 8*

> **"Before any campaign to oust the loan shark can be effective, there must be some agency equipped and prepared to take his place. Indeed, no campaign of extermination will ever succeed. No amount of condemnation will ever be effective. No negative laws, however drastic, can permanently relieve the present abuses. As long as we have citizens who want to borrow money—and we shall always have them—so long will loan agencies of some kind continue, and it is only the better sort that will succeed in driving out the worse."—Raymond B. Fosdick.**

Trade Tendencies

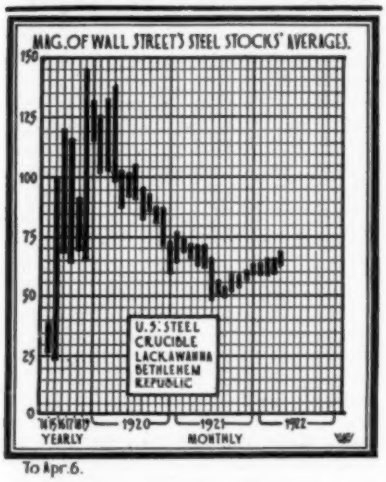
Sharp Improvement in Business

Production at Highest Point of Year—Steel Particularly Active

STEEL

Great Activity

THE steel market is impressively strong with conditions in general the best seen in over a year and a half. The situation is considered so satisfactory by most interests that further price reductions are not contemplated. On the contrary, the recent stiffening of prices in certain steel lines has given rise to the impression that the market has definitely turned upward, though it is not believed that the advance to be scored will be more than of modest proportions.



To Apr. 6.

Both the leading interest and the independents have shared in the recent pronounced improvement. The Steel Corporation is now operating at about 70% capacity and the independents at a slightly lower rate on the average. Unemployment in the steel and iron districts has grown noticeably less and the consequent release of purchasing power in these districts has improved business conditions.

All branches of steel-making are under the stimulus of heavy buying and the release of old orders. To enumerate a list here would require more space than that allotted, but among the most conspicuous of the list are: sheets, tinplate, rails, light and heavy, structural, wires and bars.

The iron market is much stronger and prices are generally higher. Operations have increased. The upward tendency in pig iron and steel has stimulated the scrap iron market.

The railroads continue the heaviest buyers, with construction and automobile interests close seconds. A number of municipalities are negotiating for improvements that will necessitate the use of large amounts of fabricated steel.

All told, the steel industry is in the healthiest condition seen for a long period and the rate of improvement has astonished even those who believed that improvement was not far off. That there will be temporary fluctuations in demand is not to be doubted, but the broad trend is upward.

COMMODITIES

(See Footnote for Grades Used and Unit of Measure)

	1921 High	1921 Low	1922 Last*
Steel (1)	$43.50	$29.00	$28.50
Pig Iron (2)	30.00	18.00	18.25
Copper (3)	0.13¾	0.11	0.12⅝
Petroleum (4)	6.10	2.25	3.25
Coal (5)	3.00	1.50	1.75
Cotton (6)	0.21¾	0.11	0.17⅝
Wheat (7)	2.04	1.08	1.35
Corn (8)	0.70½	0.44	0.56
Hogs (9)	0.11½	0.06⅞	0.10⅛
Steers (10)	0.11½	0.08¼	0.09½
Coffee (11)	0.09¼	0.05⅝	0.09⅝
Rubber (12)	0.22	0.14	0.14½
Wool (13)	0.48	0.43	0.48
Tobacco (14)	0.25	0.15	0.20
Sugar (15)	0.06⅛	0.03⅞	0.03⅞
Sugar (16)	0.08½	0.05¼	0.05¼
Paper (17)	0.06½	0.03⅝	0.03½

*April 6.

(1) Open Hearth billets, $ per ton; (2) Basic Valley, $ per ton; (3) Electrolytic, c. per pound; (4) Pennsylvania, $ per barrel; (5) Pool No. 11, $ per ton; (6) Spot, New York, c. per pound; (7) No. 2 Red, Chicago, $ per bushel; (8) No. 3 Yellow, Chicago, $ per bushel; (9) Sight, Chicago, $ per bushel; (10) Top, Heavies, Chicago, c. per lb.; (11) Rio, No. 7, Spot, c. per lb.; (12) First Latex crepe, c. per lb.; (13) Ohio, Delaine, unwashed, c. per lb.; (14) Medium Burleigh, Kentucky, — per lb.; (15) Raw Cubas 96° Full Duty, c. per lb.; (16) Refined, c. per lb.; (17) Newsprint per carload roll, c. per lb.

THE TREND

STEEL—Operations at highest in a year. Prices stiffening. Demand on increase. Satisfactory outlook.

METALS—Demand for copper slumps and prices react. Increasing mining operations largely responsible for present condition of market. Lead very strong and in great demand. Zinc in improving position. Tin steady.

OIL—Gasolene consumption shows sharp increase. Fuel oil prices advanced. Increase looked for in price of some crude oil products.

LEATHER—Conditions about the same. Demand shows little increase. Shoe-manufacture in a very satisfactory position.

TIRES—Production increasing rapidly as the season opens. Higher prices looked for later on.

SHIPPING—Depression slowly ending as the demand for cargo space increases. Gradual improvement anticipated but real activity is not in sight this year.

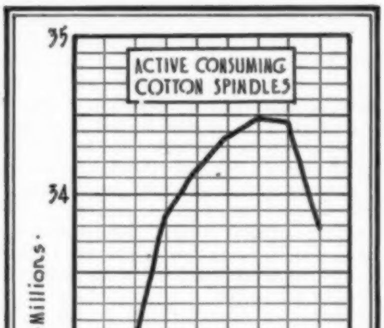
SUMMARY—Generally, industry shows a satisfactory pace of improvement. The volume of demand is growing in most sections of the country and production is increasing. Unemployment is less and the general purchasing power increased. The outlook is for continued betterment.

TEXTILES

Affected by Strike

The textile industries continue in an unsettled state. The strike in the New England mills, now in its eleventh week, shows some indications of weakening on the part of the strikers but few of the mills are producing. Some of the operators are running the plants on a limited scale with those workers who have remained in spite of the walkout.

The situation in cotton has not changed materially in the past few weeks. Raw cotton prices have been holding fairly steady while cotton goods have declined. The position of the raw material is gradually growing stronger. The world's available supply on April 1 was estimated to be around 7,300,000 bales which is some 3,600,000 bales under the amount available at the same time a year ago. Reserve stocks are slowly being used up so that it seems likely the new crop will be called upon for a large share of world requirements. A 10% average increase in acreage planted, as at present estimated, would not be apt to alter the situation, even as-



suming no damage from weevil infestation or unfavorable weather conditions.

The enforced curtailment in production of finished goods is undoubtedly helping to create a stronger technical position. Retailers have been buying cautiously, awaiting the outcome of the labor troubles, and their stocks will probably need building

(*Continued on page* 884)

The Bond Market

Investment Opportunities in Copper Bonds

A Brief Resumé of the Copper Industry Indicates That Some Good Opportunities Exist in Copper Bonds

***By* R. M. MASTERSON**

THE copper industry is gradually emerging from the worst depression in its history. The depression was the aftermath of the greatest boom the industry ever experienced. The tremendous demand for copper during the war and the encouragement given by the Government to maintain production at maximum capacity found the country at large with huge stocks on hand. Manufacturers were heavily stocked up with the metal at the time of the signing of the Armistice. In the hope that a building boom or other manufacturing activities would absorb the metal that had been going into munitions, production was continued on a somewhat reduced scale but large in comparison with pre-war years.

Stocks on Hand

The building boom, however, did not materialize, manufacturers' demand did not come up to expectations and exports fell off rapidly. Instead of the market being cleared of its surplus stocks further accumulation took place. At the beginning of 1921 the surplus of refined and blister copper on hand in this country was estimated at the huge figure of 1,000,000,000 pounds. The price of the metal had declined to 12 cents and owing to the general depression demand for copper at any price was negligible. It was then realized that more drastic steps would have to be taken to bring about a better balance and secure relief. Accordingly, the majority of the large copper companies of the country decided to shut down the mines for an indefinite period and March of 1921 found the large majority of the big producers' mines idle.

According to an estimate by the U. S. Geological Survey domestic production for 1921 amounted to 461,000,000 pounds, as against 1,209,061,040 pounds in 1920 and 1,927,850,548 pounds in 1916, which was the peak year of the war. Imports for the year, as compiled by the N. Y. Metal Exchange, amounted to 338,240,000 pounds, and exports to 623,618,000 pounds. Domestic consumers are estimated to have taken about 625,000,000 pounds. Tabulated, these figures would indicate the following:

	Pounds
Estimated stocks, Jan. 1, 1921	1,000,000,000
Domestic production	461,000,000
Imports	338,240,000
	1,799,240,000
Less:	
Estimated domestic sales	625,000,000
Exports	623,618,000
	1,248,618,000
Estimated stocks, Jan. 1, 1922.	550,622,000

It is evident, therefore, that the general shut down has had the effect of cutting stocks on hand practically in half. Over the last half of the year domestic sales were substantially greater than during the first six months and as business generally has been on a much better basis in 1922 than at any time during 1921 consumption is probably running at a considerably greater rate than last year. Assuming that domestic consumption is now running at the rate of over 1,000,000,000 lbs. per annum, which is a conservative estimate, and further assuming that exports will continue at the same rate as last year, which is very likely as exports for the last quarter of 1921 amounted to 33% of the full year, there is every indication that unless production is materially increased there is a good possibility of a copper shortage being created by next Summer.

Resumption of Operations

It is true that many of the companies that have been closed down have recently resumed operations or are expecting to resume within the near future. Resumption of operations in a copper mine that has been closed for months, however, is not like opening the office on a Monday morning. The process of regaining a normal stride is slow and months must elapse before full production can be brought about. In the meanwhile business is steadily forging ahead and a decided increase in building activities is admittedly under way throughout the country.

Prices

From 1860 to 1921, inclusive, the average price of copper has been about 19 cents per pound. In only one year, 1894, has the average price for the year dropped below 10 cents; in four years, 1885, 1893, 1895 and 1896 the average price per annum has been between 10 and 11 cents; in three years, 1886, 1892 and 1897, the price has averaged between 11 and 12 cents and in six years, 1891, 1898, 1902, 1910, 1911 and 1921, between 12 and 13 cents. Thus in the 62-year period, there have been only 14 years in which the average price was below 13 cents. At 13 cents many domestic companies can earn a moderate return on their invested capital and at 14 or 15 cents good earnings would be reported by the majority of companies provided, of course, the demand held up.

It is quite evident that copper will come into its own again when business resumes. No one denies the inherent strength of the

COPPER BONDS

Company	Bond	Rate	Maturity	Lowest Denomination	Tax Status	Redemption Price	Location of Market	Approximate Price	Approx. Yield to Maturity
Amer. Smelt. & Ref Co.	First Mtg.	5	April 1, 1947	100	2% paid	100 after 10/1/30	N. Y. S. E.	90	5.75%
Anaconda Copper Mng. Co.	Secured Bonds	6	Jan. 1, 1929	500	2% paid	Non-redeemable	N. Y. Curb	99	6.15
Anaconda Copper Mng. Co.	Secured Bonds	7	Jan. 1, 1929	100	2% paid	103½ to 100½	N. Y. Curb	102⅜	6.50
Braden Copper Mines Co.	Coll. Trust	6	Feb. 1, 1931	1000	Not paid	105	N. Y. S. E.	96¼	6.55
Cerro de Pasco Copper Corp.	Convertible	8	Jan. 1, 1931	1000	Not paid	105	N. Y. Curb	114	5.45
Chile Copper Co.	Coll. Trust Conv.	7	May 1, 1923	500	Not paid	—	N. Y. S. E.	101⅛	5.40
Chile Copper Co.	Coll. Trust Conv.	6	April 1, 1932	500	Not paid	110	N. Y. S. E.	86	8.10
Copper Export Assn.	Secured Notes	8	Feb. 15, 1923	1000	Not paid	101	N. Y. Curb	102¼	5.15
Copper Export Assn.	Secured Notes	8	Feb. 15, 1924	1000	Not paid	102-1	N. Y. Curb	102¾	6.25
Copper Export Assn.	Secured Notes	8	Feb. 15, 1925	1000	Not paid	103-1	N. Y. Curb	104¼	6.25
Copper Range R. R.	First Mtg.	5	Oct. 1, 1949	500	2% paid	—	Boston Ex.	83	6.40
Granby Consl. Min. Sm. & Pwr. Co.	First Conv.	6	May 1, 1928	100	2% paid	105	N. Y. S. E.	80-88	8.75
Granby Consl. Min. Sm. & Pwr. Co.	Conv. Deben.	8	May 1, 1925	100	Not paid	110-105	N. Y. S. E.	91	11.70
Kennecott Copper Corp.	Secured	7	Feb. 1, 1930	100	Not paid	109-109	N. Y. Curb	102⅜	6.50
Seneca Copper Corp.	Conv. Debs.	8	April 15, 1925	100	Not paid	110	Boston Ex.	100⅛	8.00
Tennessee Copper Co.	First Mtg.	6	Nov. 1, 1925	500	Not paid	110	N. Y. S. E.	94-96	6.50
U. S. Smelt. Ref. & Mng. Co.	Conv. Notes	6	Feb. 1, 1926	500	2% paid	110	N. Y. S. E.	97	6.85

THE ANACONDA COPPER PROPERTY

A View from Anaconda Hill of the large copper mining town near Butte, Montana

industry and the question to be considered is not *whether* the industry will come back, but *when* will the industry come back. Present indications are that a recovery is not far off.

In view of the great underlying strength of the copper industry and its indispensability to the future industrial development of the country, sound bonds of copper companies should attract investors today. The accompanying table summarizes the principal copper issues on the market. For a list as small as it is, it certainly offers a wide selection to choose from, from sound first mortgages to speculations. An inspection of the list shows that it is made up of:

First mortgages
Convertibles
Short term issues
Collateral trust obligations
Debentures
Railroad

Some of the issues offer high-grade investment opportunities, some speculative, and, especially in the convertible bonds, a combination of both exists. The various issues are "high spotted" in the following paragraphs.

First Mortgages The American Smelting & Refining Company First Mortgage 5s stand out as a really high grade industrial bond. The authorized amount of the issue is limited to not more than the par amount of the full paid preferred and common stock of the Company. At the close of 1921 these bonds were outstanding in amount of $36,972,800, of which $34,183,200 were in the hands of the public, the balance having been either retired through operation of the sinking fund or being held in the Company's treasury. Preferred and common stocks were outstanding in amounts of $50,000,000 and $60,998,000 respectively. Additional bonds may be issued, however, only for (1) extensions, etc., (2) acquisition of obligations or stocks of companies of which at least a majority of whose capital stocks is pledged under the bonds, and (3) for the acquisition of new real estate and plants or construction of plants by companies of which at least 95% of whose capital stocks are pledged under the bonds.

Secured by First Mortgage

The bonds are secured by a first mortgage on all the company's properties and by pledge of the entire common stock of the American Smelters Securities Company and by practically the entire capital stocks of other subsidiaries. The value of the properties on which these bonds are a first mortgage are valued at over $128,000,000, which valuation is based on cost, less depreciation, ore depletion and additions and improvements written off to profit and loss. This valuation for the plant account, alone, amounts to over $3,700 per $1,000 bond outstanding, but according to the consolidated balance sheet dated December 31, 1921, the total net assets, after the deduction of all prior liabilities and reserves amounted to $172,217,077 behind the $34,183,200 outstanding First 5s, or approximately $5,125 in assets being each $1,000 in bonds.

American Smelting & Refining Company has a long record of successful operation since incorporation in 1899. Dividends have been paid at the rate of 7% per annum on its preferred stock without interruption and over the past ten years, earnings, after liberal reserves for depreciation and depletion, have averaged over 7½ times interest charges on the present outstanding amount of bonds. Even during the year 1921, when the metal industry as a whole was almost at a standstill, bond interest was earned over 5 times, after writing off depreciation and depletion of about $4,800,000.

The company's current financial condition is excellent. Current assets, according to the December 31, 1921, statement, amounting to $57,538,883 against current liabilities of $12,886,236, a ratio of over 4½ to 1. Cash and Liberty Bonds totaled $3,760,000 and as metal stocks at $42,400,000 were carried at cost or market, whichever was lower, the company has nothing to fear through inventory losses.

The accomplishment of the company in covering interest charges more than 5 times in 1921 completely demonstrates its earning power even under the most adverse conditions. The very large equities back of the First 5s and this substantial margin of safety in earnings stamp them as a decidedly high grade issue.

Tennessee Copper Co. 6s

The Tennessee Copper Company 6s of 1925 are looked upon by the writer as being only mediocre. They are a first mortgage on properties valued at about $8,600,000 against which the bonds are outstanding to the extent of $2,326,000. This would seem to indicate a good equity for the bonds, but of late years operations have not been very satisfactory. Figures for 1921 are not as yet available but for 1920 and 1919 operations, after depreciation and depletion, resulted in a deficit before interest charges.

Tennessee Copper Company was taken over in 1916 by the Tennessee Copper and Chemical Company by a share for share exchange of stock, but the bonds were not assumed by the latter company. Since this readjustment the parent company has advanced various sums and Tennessee Copper is debtor to Tennessee Copper & Chemical to the extent of $3,335,000. The balance sheet of the Tennessee Copper Company, in fact, shows Current Assets of about $2,000,000 against Current Liabilities of over $4,000,000—this is quite an unbalanced position and it is doubtful if it has been improved any over 1921.

The bonds carry a convertible feature whereby they may be exchanged for stock at $40 per share, but as the stock of the parent company is quoted around 11 at the present time, having been as low as 6⅝ last August the present prospects of the convertible privilege becoming of value are not particularly brilliant.

By and large, while the bonds probably are safe enough from a standpoint of security they do not appear particularly attractive on a 6½% yield basis.

The Convertibles Among the convertible issues, the Chile Copper 7s of 1923 present a rather exceptional opportunity. The bonds themselves, aside from the fact that their yield is a trifle low, from an investment standpoint alone offer a sound short term investment running just one year. These Convertible 7s which are outstanding in amount of $15,000,000 are the underlying obligation of the company and rank ahead of the $35,000,000 6s of 1932 and $95,000,000 capital stock of $25 par value.

Chile's latest balance sheet, dated December 31, 1920, showed net assets, after deducting all liabilities and reserves, of over $135,000,000, or more than $9,000 behind each $1,000 of 7% bonds outstanding. This balance sheet also indicated a very strong cash position. Total current assets amounted to about $30,000,000, of which

(*Continued on page* 880)

Inquiries on New Security Offerings

Inquiries on Other Securities Will Be Found in Their Representative Departments

NORTH AMERICAN EDISON 6s

Attractive Public Utility Bond

How do you regard the recent offering by Dillon, Read & Co. of North American Edison Co. 6% bonds due 1952? I am contemplating the purchase of a few of these for investment. —F. E. C., Montclair, N. J.

North American Edison Co. 6% secured sinking fund gold bonds Series "A," due 1952, are secured by common stock of the Cleveland Electric Illuminating Co. and the Union Electric Light & Power Co. of St. Louis. Based on valuations of these properties for rate-making purposes made by the Public Utilities Commissions having jurisdiction, with subsequent additions at cost, these stocks represent an aggregate value of $24,559,415, or 175% of the $14,000,000 bond issue. Including cash, investments and other net assets not considered for rate-making purposes, such aggregate value is over 200% of the bonds. Additional bonds can only be issued for **refunding bonds issued** or upon pledge of additional securities of public utilities of a value equal to 140% of the face value of the additional bonds to be issued, and then only if income from these securities is over two times the interest requirements.

At the rates now actually paid, dividends on the pledged collateral amount to $2,195,530, or over 2½ times annual interest on these bonds, and at the average rates paid for the past fifteen years, would be equal to more than twice such interest charges. These bonds are followed by 200,000 shares of stock of no par value, all owned by the North American Co. and representing an investment by that company of over $14,000,000.

A sinking fund is provided to redeem 2% of these bonds each year by purchase if obtainable at or below 100. They are callable at 107½ Sept. 15, 1922, with the call price reduced ¼% each year thereafter.

At the offered price of 92½ the yield is 6.6%. This is an attractive yield for a bond as well secured as this one and we do not believe you would make a mistake by investing a portion of your funds in this issue.

The purpose of this page on Inquiries on New Security Offerings is to rate new issues of stocks and bonds as they appear. The merits and deficiencies of the new offerings are frankly discussed and our readers should find this page of great value in aiding them to choose their investments. Owing to space limitations only a few letters are published in this page but subscribers still have the opportunity of having their inquiries answered by applying to our Inquiry Department.

MANATI SUGAR 7½s

Not as Attractive as Others

By a careful selection of securities I am endeavoring to bring the return on my investments up to 7% with reasonable safety. I understand of course that to get this return I cannot buy gilt edged bonds but try to select securities in a sound position and distribute my holdings well. Would you deem it advisable to add the new Manati Sugar 7½s to my list or is there anything else you would suggest yielding 7% or better in their place?—G. L. Providence, R. I.

Manati Sugar $8,000,000 1st (closed) mortgage 7½% bonds, due 1942, are secured by property recently appraised by well-known engineers at $21,023,000. This company is one of the largest and best equipped sugar plantations in Cuba and is one of the lowest cost producers. Its sugar mill has a capacity of 700,000 bags per annum but the largest production so far has been 400,400 bags in the 1920-1921 season. In the current year it is estimated that 550,000 bags will be produced and that income available for interest, depreciation and taxes will reach $1,350,000, as compared with $900,740, in 1921.

A sinking fund provides for the retirement of $335,000 bonds annually through purchase in the market up to 110 at which price the issue is callable as a whole up to 1936 and 1% less annually thereafter.

Working capital of the company after giving effect to this issue is $4,695,000.

These bonds were offered by Hallgarten & Co. at 100 to yield 7½%. The net assets securing these bonds are valued at about 2½ times the total issue. This is fair security in view of the tendency toward improvement in the sugar industry, but would prefer an issue in a more stabilized industry. We would be inclined to suggest instead Packard Motor 8s, selling on the New York Stock Exchange at about 102½ to yield about the same. This bond is not a first mortgage but the working capital of the company alone is more than three times the bond issue and a sinking fund provides for the retirement of 10% of the issue each year by purchase at 105.

ERIE CONSOLIDATED 7s

Offered to Yield 6.4%

Would appreciate your opinion in regard to the recent offering of Erie Railway Consolidated 7% bonds.—T. G. V., Philadelphia, Pa.

Erie Railway Co. Consolidated 7% bonds, due Sept. 30, 1930, are secured by a closed mortgage, subject to $13,065,900 underlying liens, on the major part of the Erie main line from the Hudson River to Lake Erie. The mortgage under which these bonds were issued was created in 1870 and has never been disturbed in any reorganization. Bonds secured by this lien are outstanding at rate of $64,000 per mile, including prior liens. Of the 526 miles covered by the mortgage over 400 miles are trunk line mileage with two or more tracks.

These bonds are followed by $138,351,550 bonds and notes covering this and other property. There are $16,889,000 consolidated mortgage bonds outstanding, of which the present issue is $5,000,000.

It is estimated that the annual operating income derived from the traffic on the mileage covered by this mortgage is equivalent to more than three times the interest charges on this issue, equal and prior liens.

The proceeds of this issue, together with the extension of a loan of $10,000,000 from the War Finance Corporation, provided sufficient funds to meet the $15,000,000 6% notes due April 1, 1922.

At the offered price of 103¾ the yield is 6.4%. These bonds can be classed as a good middle-grade railroad bond and they look like a rather attractive investment at the price.

LA BELLE IRON WORKS 6s

A High Grade Bond

I am interested in the better grade of 1st mortgage bonds and am taking advantage of your offer to pass on new security offerings to ask your opinion of the recent issue of La Belle Iron Works 1st mortgage 6s put out by Lee, Higginson & Co.—H. D. S., Pittsfield, Mass.

La Belle Iron Works first and refunding mortgage 6% bonds, due 1940, are a first mortgage, now closed, on all the fixed property of the company, valued at $25,728,327, as compared with bonded debt of $6,421,000 in which is included the present issue of $4,000,000. After giving effect to this issue the current assets of the company total $12,787,314, as compared with current liabilities of only $1,131,043. Total assets behind the first mortgage bonds, therefore, are nearly six times the amount of the issue.

Net earnings for the last 17½ years have averaged $2,513,981, or approximately seven times the interest requirements. In 1921 there was a loss before interest, but after deducting depreciation, of $1,062,821, but of course in this year hardly any of the independent steel companies made any money.

Sinking fund is sufficient to retire at least 66 2/3% of the bonds before maturity. They are callable on any interest date at 105.

At the offered price of 99¾ the yield is about 6%. The security behind these bonds is very large indeed, and they are entitled to a high rating. In case a better known bond is desired, we refer you to International Paper first 5s, due 1947, selling on the New York Stock Exchange at about 84 to yield 6.3%. Regard the latter bonds as being just as well secured as La Belle Iron Works 6s and would favor them, as the yield is a little better.

BOND MARKET VERY STRONG

All Groups Reach New High Ground

THERE was no let up in the forward movement of bonds during the past two weeks and new highs on the move since last July were numerous over the entire list. The rise in prices is being stimulated by continued improvement in industrial and agricultural centers and a much brighter outlook for the railroads as a result of the excellent reports issued thus far this year. Interest and commercial paper rates have shown further tendencies toward lower levels. The coming Genoa conference should go a long way toward restoring a better understanding between European countries and outline the path to economic and financial recovery. The entire outlook for a return to prosperity both here and abroad is assuming larger proportions every day.

Government Bonds

This group of bonds continues to gain in public favor every day and the steady investment buying since the first of the year has practically wiped out the large discrepancy in yield between these issues and our industrial and public utility bonds.

The features during the past two weeks were the City of Copenhagen 5½s, City of Christiania 8s, Danish Municipals and Sao Paulo 8s. Advances of from 2 to 3 points were recorded in all these issues.

Railroads and Public Utilities

Railroad bonds showed more general strength than they have displayed in many weeks. Advances of around 1 point were made all through the gilt edge and middle grade groups, while such issues as Southern Pacific Col. Trust 4s, Chesapeake and Ohio Conv. 5s, Pere Marquette 5s and Missouri, Kansas & Texas Prior Liens recorded advances of from 1¾ to 2½ points.

In the gilt edge industrial group every bond was higher, with the majority up a point and over. The changes in the middle grade group were not many but what changes there were were on the up side.

Public Utilities

There were several fractional gains in this group, but the main activity centered around the Public Service Corporation of N. J. 5s which advanced almost 7 points. These bonds have obviously been selling out of line with other high grade public utility issues and for this reason we have listed them as the first choice in this group. The earning of this corporation have been increasing rapidly and the dividend on the common stock was recently increased. The margin of safety for these bonds over a long period has been large, and they are entitled to sell on as low a yield basis as the other issues listed in this group.

The American Telephone & Telegraph bonds were also very strong, advancing 2 points.

Speculative Issues

The feature of the speculative issues was the Iowa Central 5s, which advanced 3⅝ points and not far behind were the Minneapolis & St. Louis 5s and the Hudson & Manhattan 5s. These bonds were up 3 and 2⅛ points, respectively. There were numerous other advances of a point and over.

BOND BUYERS' GUIDE

		Apx. Price	Apx. Yield	Int. Earned on entire funded debt‡
	Foreign Governments. BETTER GRADE			
1.	City of Christiania (b) 8s, 1945	112½	6.90	....
2.	Danish Municipal (b) S. K. 8s, 1946	112	7.00	....
3.	City of Zurich (b) 8s, 1945	113¼	6.89	....
4.	City of Copenhagen (b) 5½s, 1944	92¼	6.12	....
5.	Kingdom of Sweden 6s, 1939	100¼	6.00	....
6.	Argentine (c) 5s, 1945	83¾	6.37	....
7.	U. K. of Gr. Britain & Ireland (c) 5½s, 1937	100⅛	5.50	....
8.	Dominion of Canada (c) 5s, 1931	98	5.30	....
	MORE SPECULATIVE.			
1.	Kingdom of Belgium (a) 6s, 1925	103	4.90	....
2.	Kingdom of Italy (d) 6½s, 1925	94	8.80	....
3.	Republic of Chile (b) 8s, 1941	104	7.60	....
4.	Sao Paulo (b) 8s, 1936	104½	7.50	....
5.	U. S. of Brazil 8s, 1941	105⅜	7.50	....
	Railroads. GILT EDGE.			
1.	Balt. & Ohio S. W. Div. (b) 1st Mtg. 3½s, 1925	89½	7.50	.80‡
2.	Ches. & Ohio (a) Genl. Mtg. 4½s, 1992	85½	5.30	2.20
3.	Delaware & Hudson (a) 1st & Ref. 4s, 1943	89	4.84	1.65
4.	Southern Pacific (b) 1st Ref. 4s, 1955	87	4.80	1.65
5.	Chic., Burl. & Quincy (a) Genl. Mtg. 4s, 1958	87	4.75	2.40
6.	Union Pacific (b) 1st Mtg. & L. G. 4s, 1947	91½	4.60	3.65
7.	N. Y., Chic. & St. Louis 1st Mtg. 4s, 1937	87⅜	5.25	2.35
8.	Atlantic Coast Line (a) 1st Mtg. 4s, 1946	88⅝	4.75	1.55
9.	Pennsylvania (a) Genl. Mtg. 4½s, 1965	88½	5.20	2.20
10.	West Shore (a) 1st Mtg. 4s, 2361	80⅝	5.10	**
11.	Norfolk & Western (c) Cons. 4s, 1996	86⅝	4.62	3.95
12.	Central R. R. of N. J. (a) Genl. Mtg. 5s, 1987	106	4.70	1.40
13.	Atchison (b) Genl. Mtg. 4s, 1995	87⅜	4.60	3.90
14.	Chic., R. I. & Pacific (a) Genl. Mtg. 4s, 1988	83	4.89	1.00
	Industrials.			
1.	Diamond Match (c) Deb. 7½s, 1935	107½	6.62	†
2.	Armour & Co. (a) R. E. 4½s, 1939	88¼	5.60	6.75
3.	General Electric (b) Deb. 5s, 1952	99	5.10	5.55
4.	International Paper (a) 5s, 1947	84¼	6.30	16.75
5.	Indiana Steel (a) 5s, 1952	99¾	5.00	**
6.	Liggett & Myers (aa) Deb. 5s, 1951	96½	5.25	4.80
7.	Baldwin Loco. (a) 5s, 1940	101	4.90	2.65
8.	National Tube (a) 5s, 1952	98¾	5.10	**
9.	Corn Products (a) 5s, 1934	98	5.20	60.70
10.	U. S. Steel (a) 5s, 1963	102¼	4.89	8.70
	Public Utilities.			
1.	Duquesne Light (b) 6s, 1949	101⅞	5.89	3.40
2.	Amer. Tel. & Tel. (c) 5s, 1946	97⅜	5.20	4.80
3.	Philadelphia Co. (c) 6s, 1944	96¼	6.30	4.15
4.	N. Y. Telephone (b) 4½s, 1939	92	5.20	**
5.	Montana Power (c) 5s, 1943	95	5.40	2.90
6.	Cal. Gas & Electric (a) 5s 1937	94	5.60	4.15
7.	N. Y. G., E. L., H. & P. (a) 5s, 1948	96¼	5.25	2.10
8.	Pac. Tel. & Tel. (a) 5s, 1937	94	5.60	1.75
	Railroads. MIDDLE GRADE.			
1.	Balt. & Ohio (b) 1st Mtg. 4s, 1948	80¼	5.40	0.80
2.	St. Louis-San Franc. (a) Prior Lien 4s, 1950	71	6.20	1.60
3.	Missouri, Kansas & Texas Prior Lien 5s, 1962	82¾	6.16	1.05
4.	Ches. & Ohio (b) Conv. 5s, 1946	88½	5.90	1.55
5.	Cleve., Cin., Chic. & St. L. (a) Deb. 4½s, 1931	90	5.90	2.40
6.	Pere Marquette (c) 1st Mtg. 5s, 1956	94½	5.37	2.05
7.	Southern Pacific (b) Col. Trust 4s, 1949	82	5.25	2.40
8.	Kansas City Southern (a) 1st Mtg. 3s, 1950	66⅝	5.30	1.70
9.	Illinois Central (b) Col. Trust 4s, 1952	81⅜ bid	85 asked	2.25
10.	Pennsylvania Genl. Mtg. 5s, 1968	97½	5.16	....
11.	St. Louis Southwestern (a) 1st Mtg. 4s, 1989	77½	5.20	2.00
12.	Norfolk & Western (a) Conv. 6s, 1929	108	4.62	3.95
13.	Atchison (a) Conv. 4s, 1960	98¼	4.10	3.00
	Industrials.			
1.	Wilson & Co. (a) 1st 6s, 1941	95½	6.40	2.10
2.	Comp. Tab. & Recording (b) 6s, 1941	94	6.55	5.45
3.	Adams Express (b) 4s, 1948	75½	5.89	2.60
4.	Int. Merc. Marine (b) 6s, 1941	95½	6.40	5.15
5.	Lackawanna Steel (c) 5s, 1950	84	6.20	6.00
6.	Saks & Co. (c) 7s, 1942	100	7.00	4.20
7.	U. S. Rubber (c) 5s, 1947	87¼	6.05	5.00
8.	Amer. Smelting & Refining (c) 5s, 1947	89⅝	5.80	9.55
9.	Goodyear Tire (c) 8s, 1941	115	6.60	x
	Public Utilities.			
1.	Public Service Corpn. of N. J. (a) 5s, 1959	83⅞	6.10	....
2.	Detroit Edison (c) Ref. 5s, 1940	94¼	5.50	2.80
3.	Brooklyn Union Gas (a) 5s, 1945	93	5.50	*1.35
4.	Northern States Power (b) 5s, 1941	90	5.89	1.80
5.	Brooklyn Edison (c) 5s, 1949	94½	5.40	2.20
6.	Utah Power & Light (a) 5s, 1944	91½	5.70	1.80
7.	Cumberland Tel. & Tel. (b) 5s, 1937	92¾	5.75	1.70
	Railroads. SPECULATIVE.			
1.	Western Maryland (a) 1st Mtg. 4s, 1952	62⅞	7.00	.70
2.	Iowa Central (a) 1st Mtg. 5s, 1938	77½	7.50	....
3.	St. Louis Southwestern (a) Cons. Mtg. 4s, 1932	74	7.75	2.00
4.	St. Louis-San Francisco (a) Adj. Mtg. 6s, 1955	77	8.00	*1.90
5.	Mo., Kansas & Texas Adj. Mtg. 5s, 1967	51⅞	9.75	....
6.	Southern Railway (a) Genl. Mtg. 4s, 1956	64¾	6.62	1.85
7.	Missouri Pacific (b) Genl. Mtg. 4s, 1975	63	6.45	0.90
8.	Carolina, Clinch. & Ohio (c) 1st Mtg. 5s, 1938	85¾	6.45	1.40
9.	Minneapolis & St. Louis (a) Cons. Mtg. 5s, 1934	78	7.90	0.50
10.	Denver & Rio Grande 1st Ref. 5s, 1955	46¼	11.20	....
	Industrials.			
1.	Chile Copper (b) 6s, 1932	86¼	8.00	3.80
2.	Va.-Carolina Chemical (c) 7½s, 1932	95	8.25	2.75
3.	American Writing Paper (a) 6s, 1939	81⅝	8.00	1.90
4.	American Cotton Oil (a) 5s, 1931	88	6.80	3.15
5.	Cuba Cane Sugar (c) 7s, 1930	84½	9.85	....
	Public Utilities.			
1.	Hudson & Manhattan (c) Rfdg. 5s, 1957	81	6.37	*1.60
2.	Intr. Rapid Transit (a) 5s, 1966	61	8.30	1.60
3.	Third Avenue (b) Refg. 4s, 1960	65	6.50	*1.20
4.	Va. Railway & Power (a) 5s, 1934	76	8.20	....

(aa) Lowest denomination, $5,000. (b) Lowest denomination, $500.
(a) Lowest denomination, $1,000. (c) Lowest denomination, $100.
(d) Lowest denomination, $50.

(x) This issue was created on May 1, 1921.

†This issue, which represents the entire funded debt of the company, was created on Nov. 1, 1920.

*Number of times over interest on these bonds was earned.

**Earnings are not reported separately.

‡This represents number of times interest on the companies' entire outstanding funded debt was earned, based on actual earnings of last five years. Interest on this issue was fully covered.

Railroads

Pere Marquette Railway Co.

An Attractive Low Priced Rail

Will a Merger with Ann Arbor Benefit the Pere Marquette?—A Strategically Located Road—The Outlook for the Stock

***By* ARTHUR J. NEUMARK**

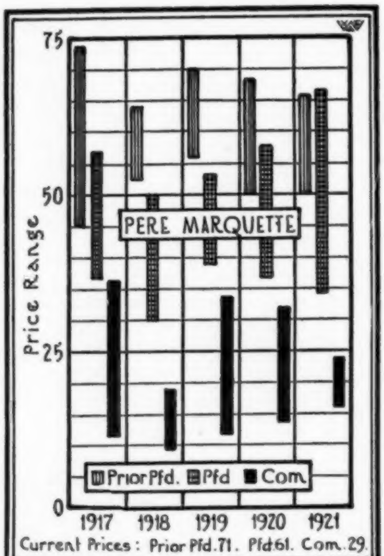
THERE are many interesting angles in discussing the present status and possibilities in this American-Canadian railroad and probably of greatest interest at the present time is the much talked of merger with Nickel Plate, Delaware, Lackawanna & Western and Ann Arbor. The location of these roads lends color to this rumor, but the writer is inclined to believe that the merger talk of all four roads originated on a partial truth which has grown to proportions that have far outstripped the plans of the Pere Marquette management. The one statement that originated from official sources is the merging of the Ann Arbor and Pere Marquette railroads and as this seems to be a plan that may lie within the realm of early accomplishment, it may properly be seriously discussed.

Ann Arbor-Pere Marquette Merger

The important point to determine is what benefits will the Pere Marquette system obtain through the acquisition of Ann Arbor. A glance at the accompanying map will serve to answer the question.

The Ann Arbor main line extends from Toledo, Ohio, to Frankfort, Michigan, and would give Pere Marquette access to new territory and important terminal centers in Michigan and thus greatly strengthen the road's position in this state. At the present time Pere Marquette operates car ferries across Lake Michigan to Milwaukee and Manitowoc, important terminal centers on the west front of the lake. At the former city the road carries on an inter-change of traffic with Chicago and Northwestern and the Minneapolis, St. Paul & S. S. Marie Railroads and at the latter with Chicago & Northwestern and Chicago, Milwaukee & St. Paul. With the acquisition of Ann Arbor, Pere Marquette will be able to route west-bound traffic from Canada and Northern Michigan across the car ferry at Frankfort to the Chicago & Northwestern lines entering Kewaunee. This will open new traffic routes and should prove very beneficial to the road.

As both Ann Arbor and Pere Marquette have extensive mileage throughout the state of Michigan, and cross one another at various points, it can readily be seen that the operation of the two roads as one system will permit of many economies, such as routing over the shortest distances and more efficient handling of the equipment.



Importance of Automobile Industry

The growth of the automobile industry has played an important part in the increased earnings of the Pere Marquette and is a factor that must be given weight in viewing the outlook for this road this year and in the years to come. The heart of this industry centers around Detroit and its immediate vicinities.

In 1920, latest available figures, Pere Marquette carried 279,114 tons of automobiles, or about 93,000 cars, an increase of approximately 450% since 1913. This amounts to about 10% of all the cars shipped from the State of Michigan in this year. Of the total tonnage of manufactured products carried in 1920 over 11% was automobiles, undoubtedly the largest single manufactured product carried with the exception of petroleum and other oils.

PERE MARQUETTE

	Present Capitalization	Capitalization June 30, 1916
Funded Debt.....	$45,076,800	$78,359,942
1st Pref. Stock..	11,200,000	10,929,800
2nd Pref. Stock..	12,429,000	968,180
Common	45,046,000	14,370,000
	$113,751,800	$104,627,922

An even better idea of the importance of this one industry to Pere Marquette may be obtained from the dollar and cents value of this class of traffic to the road. Striking an average of freight rates on 5 and 7 passenger touring cars shipped to various industrial centers throughout the country from Michigan and the proportionate amount of these rates accruing to Pere Marquette, it seems fair to assume that the road obtains a revenue of between $30 and $40 for each car hauled. On the basis of the 1920 shipments this traffic netted between $2,800,000 and $3,700,000. Deducting about 75% for total operating expenses and 10% for fixed charges there was a net profit of between $420,000 and $555,000, or about sufficient to pay the full year's dividends on the prior preference 5% stock.

The automobile industry has shown rapid improvement since the first of this year. The heavy price cutting campaign which has been in force since the Summer of 1921, despite many improvements in the standard makes, has stimulated buying to a great extent. The factories in and around Detroit in some instances are running at capacity and better than a 60% of capacity in a great many cases. Shipments in the first quarter of this year are running anywhere from 50 to 100% in excess of the corresponding quarter of 1921 and the outlook at the present time is for one of the best years in the history of the industry. The increased earnings from this source alone may amount to as much as $1 a share additional earnings on the common stock.

Largest Volume of Traffic in Bituminous Coal

Pere Marquette is essentially a bituminous coal carrier. Products of mines constitute about 45% of the total traffic carried, and of this amount about two-thirds is coal. Tonnage of bituminous coal hauled in 1920 totaled more than the combined tonnage of the products of animals, forests and manufactures.

Pere Marquette carries practically all the coal that is shipped into the state of Michigan. It receives the great bulk of this traffic at Suspension Bridge, N. Y., from whence it is carried direct to Detroit and other large industrial centers in this state. Shipments are also made over this route to Chicago.

It is interesting to note the relative i

portance, in dollars and cents, of this traffic to the automobile traffic handled. In 1920 Pere Marquette carried 4,100,000 tons of bituminous coal and 439,000 tons of anthracite. The freight rates from Suspension Bridge to Detroit and Chicago are $1.68 and $3.36 per ton, respectively. Assuming the road receives on an average of $2.50 per ton for all coal traffic, the 1920 business would have amounted to $11,250,000. Thus, although volume of automobile business amounts to but 5½% of that of coal, it produces about 33⅓% as much revenue as the coal traffic. These two industries alone account for about 35% of the total business handled by the road.

Reorganization—Turning Point for the Road

Ever since its reorganization in 1916 with the exception of the adverse year of 1920, Pere Marquette has shown a substantial earning power for the common stock. This has been largely due to increased volume of traffic and economical operation, but the present financial structure of the company is much sounder and greatly strengthens the status of its bonds and stock.

The fixed charges of the company were scaled down considerably, and the entire capital structure more evenly balanced, as shown by the comparative table on the preceding page.

The annual interest charges of the road now amount to about $2,200,000, compared with $3,300,000 in 1916, a reduction of 33⅓%.

1st Mortgage Bonds—Sound Investments

The first mortgage 4s and 5s of 1956 can be rated among the best of the railroad mortgage bonds and are decidedly attractive mediums of investment as they are selling on a higher yield basis than the majority of high grade first mortgage railroad bonds.

These bonds are secured by a direct or collateral mortgage on the entire property. They are a first lien on 1,820 miles of road and a third lien on 200 miles of Canadian lines, subject to $5,870,000 of prior liens.

The earnings of the road since reorganization have averaged about 1.8 times total interest charges. The bonds are now selling to yield about 5.35% to maturity compared with an average yield of about 4.9% for the majority of sound first mortgage railroad issues.

Status of Preferred Issues

The 5% cumulative prior preference stock is an attractive investment stock at current levels. Pere Marquette has paid dividends regularly on this issue since reorganization and has covered annual requirements by a very substantial margin in each year, with the exception of 1920. Earnings for 1917, 1918, 1919 and 1921 averaged 22% per annum on this issue. The prior preference stock is now selling around 71, at which price the yield is over 7%.

The 5% cumulative preferred stock paid no dividends until the latter part of 1921, although substantial balances were earned on this issue also. Earnings for the three years ended Dec. 31, 1919, averaged 17%, or over three times annual dividend requirements and in 1921, over $8 a share. On Dec. 7, 1921, directors of the company declared a 10% dividend on this issue to cover accumulated dividends since 1919 leaving but 5% unpaid. In addition to regular dividends the remaining 5% will undoubtedly be paid this year. The settlement with the Government for $750,000 on Nov. 16, 1921, for claims growing out of federal control enabled the company to make this disbursement.

This stock is now selling around 63 and after deducting the 5% back dividends due, the stock yields over 8.6% This appears to be a very exceptional opportunity for investment for substantial profit. As this security has just entered the ranks of the dividend payers it is only natural that it sells on a high yield basis. It is unseasoned and very inactive at the present time, but the time to buy bargains of this type is when little is said about them and few are aware of their existence. When its speculative possibilities are more generally realized this stock will probably be selling 10 to 15 points higher.

Outlook for the Common

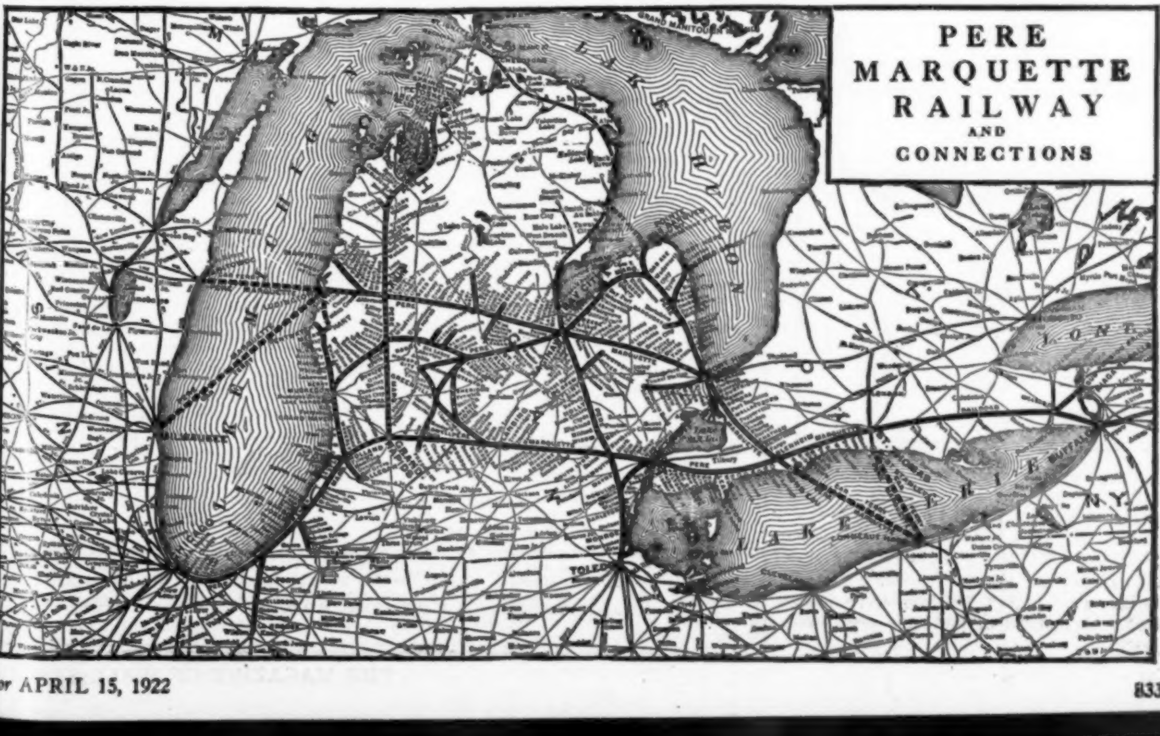
The real speculation, of course, lies in the common stock now selling around $29 a share. This security has sold as high as 36¾ and as low as 9½ since listed on the N. Y. Stock Exchange. No dividends have ever been paid on this issue, but the prospects of it going on a dividend basis within the next few years are good.

The top heavy capitalization of the road before reorganization precluded any possibilities of stable earnings on the junior stock, but the present financial structure together with the growth of the industrial centers tapped by this road warrants the belief that, barring any unforeseen unfavorable developments, this stock will in the not distant future be in a position to receive dividends. The obstacle of accumulated dividends on the preferred stock has been practically eliminated, as the remaining 5% will very likely be paid up this year.

One Decided Advantage Over Low Priced Southwestern Roads

A substantial earning power on the common stock of any given road is probably the most important consideration, but where such a road's capitalization is based on a property value in excess of its actual worth, a considerable part of the immediate attractiveness of the issue becomes lost. This is one very important reason why Pere Marquette is a more attractive issue, in the opinion of the

(Continued on page 876)



Railroad Earnings on the Up-Trend

Volume of Traffic in February Heavier and Net Earnings Considerably Above the Level of the Previous Month— An Explanation of Some of the Figures in the Accompanying Table

FEBRUARY earning statements of the large majority of Class I railroads made a highly satisfactory showing and augur well for the future. Gross and net earnings were well above the previous month's level despite the fact that February is normally the poorest traffic month in the year. Car loadings totaled as much as in January although there were three less operating days.

The coal roads particularly reported large gains in both gross and net and will probably show a much greater improvement for March because of the abnormally heavy coal movement in anticipation of the coal strike.

The most striking statements continue to be made by the New York Central and Pennsylvania Railroads. The former road's net operating income of over $7,000,000 for the first two months of this year, compared with an operating deficit of $64,370 for the corresponding period of 1921. The latter road's net operating income of $11,979,857, compared with an operating deficit of $5,373,652 for the same period of 1921, a difference of over $17,000,000 to the company or $1.70 a share on the outstanding capital stock. The significant feature of these earning statements is the extent to which these companies have reduced their operating expenses, as this showing was made on an average increase of but 3% in gross revenues over 1921. Maintenance figures for the month of January, the latest available, indicate that these showings were not at the expense of the property or the equipment. Maintenance charges were below the level of the corresponding month of 1921, but this was largely due to lower costs for labor and materials and supplies.

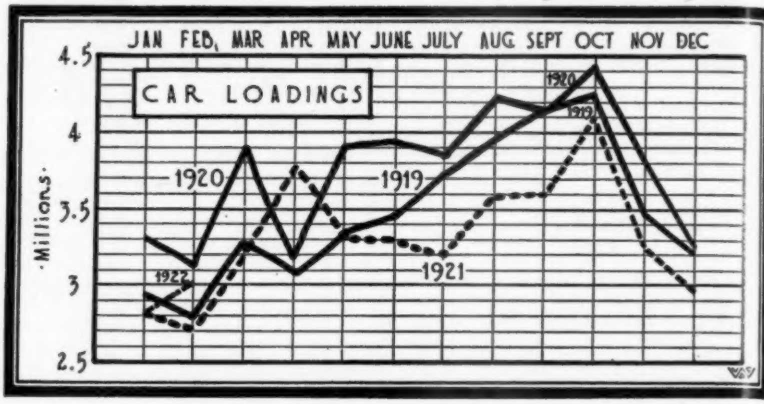
Outlook for March Reports

Further substantial improvement in car loadings for the first 18 days of last month warrant the statement that the March reports will make the best showing in both gross and net thus far this year. Loadings totalled 2,112,500 cars, compared with 1,999,300 for the first 18 days of February and 1,747,000 for the corresponding period of January. March loadings were over 300,000 cars ahead of the same period of 1921. (*Continued on page* 882)

CLASS I ROADS
(000 omitted)

	Net oper. income	Month's normal earnings to give a 6% return
January, 1921.	D$958	$74,100
February	D7,378	68,000
March	30,695	81,089
April	29,245	80,487
May	37,060	92,736
June	52,845	99,073
July	69,485	93,267
August	90,000	105,000
September ...	87,174	113,000
October	105,453	114,400
November	66,198	109,328
December	55,000	91,200
*January, 1922	37,000	74,100
*February	52,000	68,000

*Estimated.



ANALYSIS OF RAILROAD EARNINGS FOR THE FIRST TWO MONTHS OF 1922

The following table is compiled on the assumption that the first two months represent 12.5% of the traffic year, as it did in the test period (June 30, 1915, to 1917, incl.)

Road	Net Operating Deficit	% Charges Earned	$ Per Share on Preferred	$ Per Share on Common
Atchison	......	......	......	$ .30
Atlantic Coast Line	......	......	......	24.45
Baltimore & Ohio	......	......	......	4.40
Buffalo, Roch. & Pgh.	......	......	......	12.35
Canadian Pacific	......	......	......	1.80
Chesapeake & Ohio	......	......	......	18.30
Chicago & Alton	......	......	......	1.80
Chicago & E. Illinois	......	......	......	5.40
Chicago Great Western	$181,967	......	......	......
Chicago, Mil. & St. Paul	1,343,805	......	......	......
Chicago North Western	......	15	......	......
Chicago, R. I. & Pacific	......	41	......	......
Chicago St. Paul, Minn. & O.	14,985	......	......	......
Carolina, Clinchfield & O.	......	......	......	4.00
Cleve., Cin., Chic. & St. Louis	......	......	......	12.35
Colorado & Southern	......	......	......	4.20
Delaware & Hudson	......	......	......	20.00
Delaware, Lack. & West.	......	......	......	(a) 7.00
Erie	......	87	......	......
Great Northern	246,747	......	......	......
Illinois Central	......	......	......	23.20
Kansas City So.	......	......	......	6.00
Lake Erie & Western	......	100	......	......
Lehigh Valley	......	......	......	(a) 1.60
Louisville & Nashville	......	......	......	6.00
Minn., St. Paul & S. S. Marie	795,964	......	......	......
Minneapolis & St. Louis	......	77	......	......
Missouri, Kansas & Texas	......	......	$5.30	......
Missouri Pacific	......	63	......	......
New York Central	......	......	......	8.80
N. Y., Chicago & St. Louis	......	......	......	(b) 15.60
N. Y., New Haven & Hartford	......	97	......	......
N. Y., Ontario & Western	17,322	......	......	......
Norfolk & Western	......	......	......	12.10
Northern Pacific	821,375	......	......	......
Pennsylvania	......	......	......	(a) 6.20
Pere Marquette	......	......	......	1.55
Philadelphia & Reading	......	......	......	12.95
Pittsburgh & W. Va.	......	......	......	3.70
St. Louis, San Francisco	......	......	......	11.10
St. Louis Southwestern	......	......	......	2.45
*Seaboard Air Line	......	51	......	......
Southern Pacific	......	......	......	(c) 6.20
Southern Railway	......	85	......	......
*Texas & Pacific	......	90	......	......
Toledo, St. Louis & West.	......	......	......	15.00
Union Pacific	......	......	......	8.10
Virginian	......	......	......	15.00
Wabash	......	......	(g) .10	......
Western Maryland	......	......	(f) 3.00	......
Western Pacific	......	90	......	......
Wheeling & Lake Erie	......	......	(e) 2.50	......

*On the basis of first month's earnings.

(a) $50 par value. (b) After 5% on the common stock, all classes of stock share equally. (c) Without oil income and after capital adjustments. (d) Including Denver & Rio Grande, and after proposed adjustments. (e) On the 7% prior preferred stock. (f) On the 4% 2nd preferred stock. (g) On the preferred A stock, assuming that all of the outstanding preferred B is converted equally into preferred A and common stocks.

Industrials

A New Infant Industry

Radio Communication and Broadcasting Develop Over-Night—What Companies Are in the Field?

By R. L. RUSSELL

WIRELESS telephony, like many other sciences, received its greatest impetus from the War, and has developed at an amazing rate in recent years. The development has been along two distinct lines: One, transcontinental and international communication between high-powered stations, for transmission of commercial messages, news and messages between individuals; and, two, communication between huge broadcasting stations and countless small receiving sets, at present for the chief purpose of providing entertainment in homes.

The first line of development has already gone far enough to have put wireless on a plane with the long distance telephone, the telegraph and particularly, the cable. It is now possible to transmit messages from shore to shore, or from ship to shore, with as great speed, and more economically, by wireless.

A RADIO RECEIVING SET
NEARLY A MILLION LIKE IT NOW IN OPERATION

In this development of wireless, as a means of inter-communication, a group of the largest electrical manufacturing companies in the United States have played a chief part. That group is composed of the Radio Corporation of America, General Electric Co., Westinghouse Electric & Manufacturing, Western Electric, and United Fruit through minority ownership of Radio Corporation stock. Space does not permit recounting the full history of the steps by which these companies were brought together, but a brief resume may be made.

The General Electric Co., during the war, developed a system of radio communication which was superior to any other means then in operation. After the war, the British Marconi Co., the dominant interest in the American Marconi Co., sought control of this system. At the instance of the United States Government, negotiations that might have led to British domination of the world's wireless were given up, and arrangements were made to keep control in this country.

The British holdings in American Marconi were accordingly purchased; the Radio Corporation of America was formed; preferred shares of this new corporation were given the former Marconi stockholders in exchange for the old company's tangible property, and common stock for its patents, licenses and good-will. In addition, General Electric contributed something over $3,000,000 to the Radio Corporation for which it received about 600,000 shares of preferred stock at par.

In view of the work done by the American Telephone & Telegraph Co. and the Western Electric Co. (of which Am. Tel. & Tel. owns 98%) in the radio field, it was deemed advisable to make the knowledge and facilities of these concerns available to the Radio Corporation. With this motive, an agreement was arrived at whereby American Tel. & Tel. acquired 500,000 shares of Radio preferred and 500,000 shares of common in return for certain rights and licenses.

Westinghouse Electric & Mfg. also became a substantial minority stockholder in Radio Corporation with the acquisition by Radio of the International Radio & Telegraph Co., August 31, 1921. Westinghouse recognized the possibilities of radio early in its development and had been active in the manufacture of apparatus. Finally, the United Fruit Co. acquired a substantial minority interest.

The foregoing is sufficient to indicate the ramifications of the Radio Corporation and the commanding position it occupies in its field.

Facilities for Communication

There are at present five stations under operation by the Radio Corporation conducting an international business in radio-grams. Service to Germany, Norway and Sweden constitutes the only direct line of communication to these countries. The corporation's activities in the international field come into active competition with those of the Western Union and the commercial cable companies and with the various foreign cables on the Atlantic side, and with the Commercial Pacific Cable Co. on the Pacific.

Average speed of delivery of messages is practically the same as in the case of cable messages. How rates compare is shown by the following table:

Radio Rates

From	To	Rate Per Word Cable	Rate Per Word Radio
New York	England	$0.25	$0.18
	France	.25	.20
	Germany	.30	.25
	Norway	.35	.24
	Japan	1.08	.87
San Fran.	Japan	.96	.72

Broadcasting

The second line of development in the field of wireless—the broadcasting of special programs from huge sending stations to individual receiving sets—has already gone far enough to merit the title of Infant Industry.

The broadcasting idea is the outgrowth of ten years of experimenting in which the aim was to devise a means of direct communication between individuals having their own sending and receiving sets. The Westinghouse Electric & Manufacturing Co. solved the insurmountable problems that arose. It solved them by attacking them from a different angle. Instead of seeking a means whereby individual senders could communicate with individual receivers, Westinghouse determined to send through the air "messages" that *all* the receiving sets would be anxious to hear.

Before the broadcasting idea had been devised, there were a few thousand amateur wireless sets in operation in this country. After it had been launched, the demand for apparatus grew to enormous proportions. In a few months' time, the number of persons operating their own receiving stations grew from 50,000 to around 600,000. The end is not yet.

In this field, again, the radio group—General Electric, Radio Corporation, Westinghouse, *et al.*—is supreme. Gen-

(*Continued on page* 881)

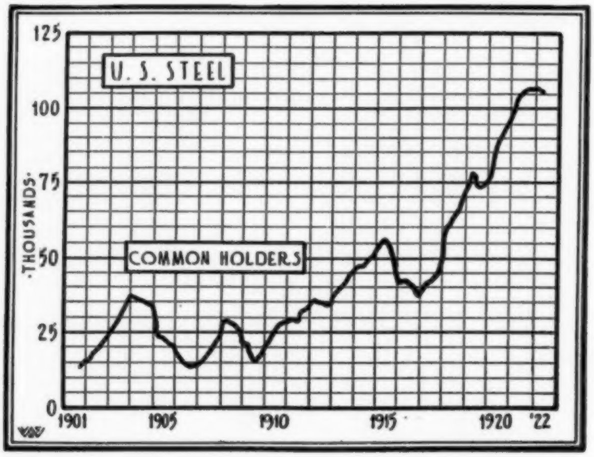
The Outlook for U. S. Steel

Immense Values Plowed Into Property — How the Corporation Withstood Deflation—Are the Common Shares a Good Investment?

By **JAMES H. MAXWELL**

"STEEL — either Prince or Pauper!" is an observation attributed to the late Andrew Carnegie which has been fully borne out by the experiences of the years. Waves of prosperity, followed by abrupt and radical declines in prices, production and earnings have characterized the industry throughout its history.

A case in point is the record of the U. S. Steel Corporation, the largest single factor in the world's steel industry. In 1902, the first full year of its existence, the Corporation scored total net earnings of $133,309,000, in round numbers. Calling that figure 100%, for purposes of comparison, it develops that total net earnings in 1904 dropped to 54%; by 1907 they had risen to 120%; in 1914 they were down to 53%; and in 1916 they had risen to the phenomenal total of 250%! This erratic trend is illustrated graphically in the accompanying chart, which shows the numerous important fluctuations in Steel's total net during the 22 years of its history:



With these wide fluctuations in the industry itself in mind, it might be supposed that shares of the U. S. Steel Corporation would fluctuate equally widely and therefore be intensely speculative.

As a matter of fact, Steel shares are losing in speculative characteristics with every year that passes and becoming more and more a strictly investment medium.

The Explanation

The explanation of the growing stability of Steel shares from an investment point of view lies in the policy of extreme conservatism pursued by the directors of the great corporation from the time of its organization. In the Corporation's infancy, charges that most of its capitalization represented pure water were not infrequently made. It is recorded that a certain high Government official estimated that nearly half the Corporation's initial security issues were without tangible assets behind them. As though the directors of the Corporation had set out with but one idea in mind—to justify Steel's immense capitalization—every opportunity to strengthen the company's asset position, to fortify its finances and to increase its efficient productive capacity has since been availed of.

An interesting illustration of the policy that has been consistently followed throughout the Corporation's career is to be found in its war record. During the six years 1914-20, inclusive, it is figured that the corporation earned a net income of well over one and three-quarter billion dollars. Instead of disbursing even a generous portion of this huge sum among the stockholders of the company in the form of dividends, holders of the common shares received less than 8%, on the average, for the period. The remainder—or nearly three times as much as was disbursed in dividends—went back into property and working capital.

How much has been accomplished over the entire 22-year span since the Corporation was formed forms one of the splendid chapters in corporate finance. The facts in this connection are well worth looking into, since they serve to give an idea of the values lying behind the shares today:

In the first place, the corporation has invested, literally, huge sums in property development without increasing its property account in anything more than fractional proportion. By the close of 1921, the Steel Corporation had expended well over one billion dollars for new construction and plant additions; whereas the corporation's property account had been increased by substantially less than half as much.

The corporation's surplus and reserves, as of the close of last year, amounted to almost $814,000,000, or greater by more than $700,000,000 than the 1902 account.

The cash holdings of the corporation have grown at the same amazing rate as the corporation itself. Including marketable securities held, U. S. Steel had over $255,000,000 in 1921, or almost five times the amount held at the close of the second year of its existence.

Net working capital on December 31, 1921, amounted to $138.000,000 or about $25 a share—a figure manifestly below the needs of the giant corporation. Subsequent expansion has resulted in growth of working capital to almost $537,000.000, or $105 per share as at the close of 1921.

These few facts could be multiplied almost indefinitely by other examples from the company's financial statements—for example, the tremendous increases effected in productive capacity—but they are enough, perhaps, to at least indicate the extent of the corporation's growth and the immense values that have been plowed back behind the common shares. Perhaps they could best be summarized by noting that, as of the close of 1902 (when the corporation's property value may or may not have been unduly inflated) book value of the common stock was $121. Today, with properties substantially undervalued, and every traceable drop of water squeezed out, the book value of the shares is more than $260.

How Steel Withstood Deflation

The Steel Corporation's experience since the war has been the usual one of drastic deflation—usual, that is, in all respects save one. The corporation's record is set apart from that of other companies in that it was far-sighted enough to bulwark itself against the collapse before the collapse occurred.

Earnings during the war years had been enormous, a total of over $252 per share having been earned on the preferred stock, leaving a balance of more than $144 per share available for the common. The

post-war slump is illustrated by the returns for the year just ended. Preferred dividends were earned with a margin of only $3.16 to spare; and the corporation was forced to dip into surplus to pay the dividend on its common stock.

If U. S. Steel had followed, during its period of bloated profits, the policies practiced by many other concerns, the tremendous strain to which it was put last year might easily have been its undoing. It saw its gross business decline on an average of nearly 40%; thus, 39% less iron and 29% less coal was mined; 39% less coke was manufactured, while production of pig iron and steel ingots declined 40% and 43% respectively. Due to the drastic changes in the price level (adequately reflected by the drop in pig iron from $40 a ton to $18, an almost perpendicular decline of over 50%) in conjunction with lessened production, the total gross business of the corporation fell from $1,755,477,000 to considerably less than $1,000,000,000.

But the habit of allotting the great bulk of its yearly earnings to surplus and property account which the Corporation had cultivated so persistently had fortified its position to a point where it could withstand these terrific buffetings with comparative ease. Of chief importance, of course, was a surplus of more than 500-million dollars, whose dimensions made the appropriation of some 14-million dollars for dividend purposes a matter of comparatively small significance.

An almost equally important feature of strength—and one almost unique with the Steel Corporation—was an inventory reserve of $95,000,000 set up during the war in anticipation of just such a smash in material prices as the one that occurred. The presence of this reserve made it possible for the Corporation to write down inventories, at the close of 1921, to cost price or market, whichever was lower, and still have a reserve of well over $60,000,000 to fall back on. In this reserve lies the assurance that the Corporation will not have to take any losses due to inventory declines. Following a normalizing of industry and the general price level, moreover, the unused reserve might be expected to be diverted into surplus.

Wage Levels in 1921

Under an ideal arrangement, all classes would profit equally from general prosperity and bear equally the burdens of depression.

It might be difficult to prove that the U. S. Steel Corporation establishes prices to the consumer and laborers' wages with this ideal in mind; but the tendency at least seems to be in that direction.

Wages paid by the Corporation have mounted steadily from the time it was formed. The annual average wage paid each employee from 1908 to 1921, compared with the year 1904 (when earnings were the lowest on record) shows as follows:

1904	$677
1908	729
1909	776
1910	805
1911	820
1912	857
1913-14	905
1915	925
1916	1,042
1917	1,296
1918	1,675
1919	1,902
1920	2,175
1921	1,736

The trade collapse of last year, according to the ideal arrangement referred to above, might have been made the basis for a drastic cut in wage levels. With earnings back on a pre-war basis, plausible reasons could have been found for reducing wages on a similar scale. Instead, an average of $1,736 per employee was paid in 1921, or substantially more than was paid in the immensely profitable year of 1918. Of the decrease in the total pay roll of $248,669,420, compared with the total roll for 1920, approximately $175,143,000 was due to a lesser number of employees in service, and $73,526,000 to lower wage and salary rates paid. The average of actual earnings per day, for all classes of labor, and after these reductions, was $4.60, as compared with the pre-war average of $2.93.

To an unprejudiced mind, this seems rather fair treatment, and suggests another feature of strength in the Steel Corporation—the gradually improving relations between it and its employees. Many illustrations of this improvement could be given, but probably the best proof is the increased participation of employees in Steel stock purchases. In 1921, no less than 255,000 shares of U. S. Steel common were taken up by employees under the stock subscription plan, or over a quarter of a million. The amount taken this year has declined very radically—actually to only a little over 94,000. That figure, however, should be considered in connection with the smaller number of employees as well as their much reduced purchasing power. It compares very favorably with the years 1916, 1917 and 1918 when 49,742, 67,410 and 95,437 shares, respectively, were taken.

Powerful Financial Position

Collecting all the facts brought out in the foregoing, we find the U. S. Steel Corporation in a well-nigh impregnable financial position, with its plant facilities at the highest point of efficiency, the 1921 slump successfully weathered, and its labor organization well in hand. This puts the company in a position to take full advantage of changes for the better in the steel industry and suggests the question, "Has the change for the better come?"

Judging from the trade reports of competent authorities, it may be said that a

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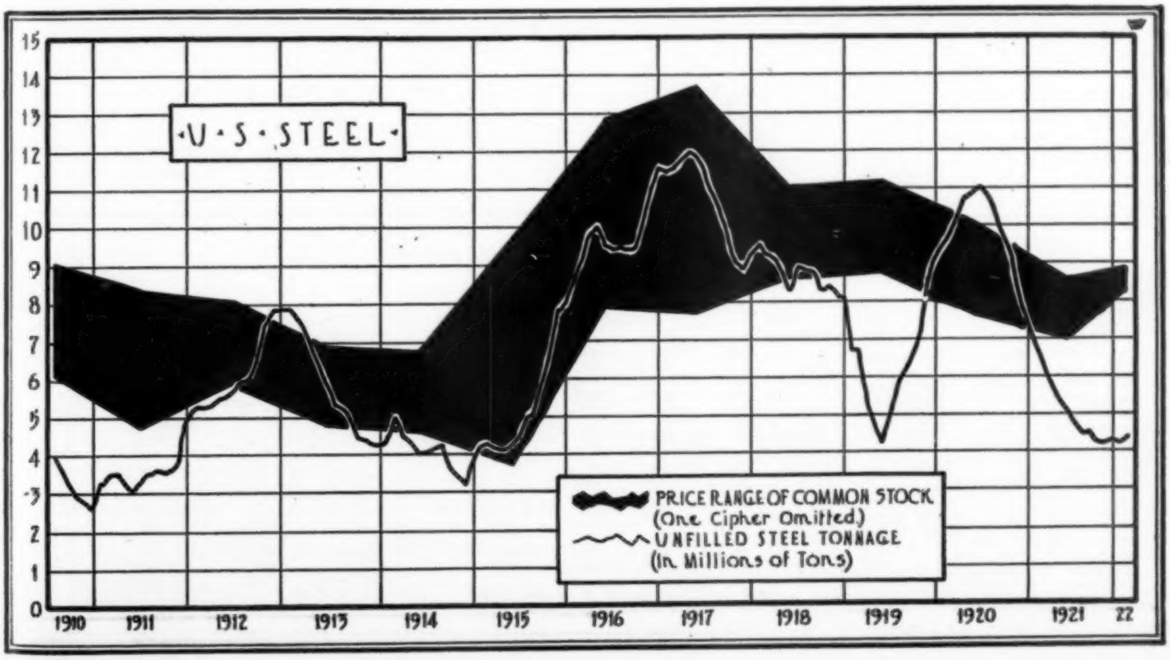


Dividend Prospects Among the Industrials

Improvement in General Business Conditions Reflected in Earnings of Many Companies—In Some Cases Early Resumption of Dividends Would Be Justified

By **FREDERICK LEWIS**

PROSPERITY is returning to the country. There is no question on that score. How fast it is coming back is another matter. Some lines have already felt it to a marked degree. In other lines the actual improvement has only been slight but nearly all see an improving tendency. During the depression of 1921 some of the strongest corporations in the country had to forego dividend payments to their stockholders and during that trying year hardly a week went by that did not see a dividend passed. Stagnation in business and heavy write offs in inventory account made it necessary for corporations to conserve their cash. With business on the upgrade and improvement in prices with the resultant strengthening of the inventory position many companies are now in a condition that would appear to justify early payments to stockholders

In the present article the securities discussed are those which have reasonable prospects of being on a dividend basis within a year's time. Of course, some are much closer than others and the ones that from a careful examination of the conditions surrounding the company seem to be in the best position head the list in the accompanying table. No attempt has been made to make this a complete list and there are many less prominent companies that could be added. The ones selected all have a good market on the New York Stock Exchange and are well seasoned securities.

AMERICAN HIDE & LEATHER

While American Hide & Leather reported a deficit of $550,920 for 1921 it has been earning the dividend on the preferred stock since the second quarter of that year. Bills payable have been reduced from $6,600,000 a year ago to $2,950,000. Dividends are not likely to be resumed until bills payable are further reduced but with the improved outlook for the leather industry this should be accomplished in the near future and there is an excellent chance for dividends within the year. Back dividends on the preferred now total 121½%. At present price of 69 the stock has attractive long pull possibilities.

U. S. SMELTING

As was the case with American Smelting, U. S. Smelting, Refining & Mining Co. was adversely affected by the stagnation in the mining industry in 1921 and a small deficit after preferred dividends was reported. The preferred dividend is now being earned and with the outlook for still better earnings the rest of the year a resumption of dividends on the common stock can be expected in the near future as the company's financial condition is strong. At present price of 37, however, dividends which are not likely to be started at a rate of more than $2 appear to be pretty well discounted.

AMERICAN SMELTING & REFINING

American Smelting & Refining Co. had very unfavorable conditions to contend with in 1921. In the first place all the large copper mines shut down, thus cutting off business entirely from some of the company's plants and in the second place conditions in Mexico were such that little work was accomplished in the company's important plants in that country. It was the most trying period that Smelters has passed through in recent years. In spite of this the company was able to show $3.18 earned on the preferred stock and had inventories been marked up to the market price December 31, 1921 the preferred dividend would have been covered.

Current liabilities were reduced during the year from $22,300,000 to $10,500,000. Working capital is nearly $50,000,000. With the copper mines reopening, operations in Mexico increasing and a general increase in mining activity of all kinds the outlook is for very satisfactory earnings in 1922. This combined with a strong financial condition should persuade directors to resume dividends in the very near future. The stock at 57 looks relatively cheap as under normal conditions this company should be able to maintain a $4 dividend.

CONTINENTAL CAN

Continental Can has been earning its dividend on the common stock for a long period of years with a good margin to spare but 1921 was the exception. The country was overstocked with canned goods, a result of the surplus piled up during the war and the canning industry was stagnant. In spite of these adverse conditions the company earned $3.75 a share on the common stock and as the dividend was passed in September was able to show a small surplus. Its financial condition is sound with a working capital of over $3,000,000. Canned goods are moving much better at the present time and the outlook is for a good year for Continental Can. A very early resumption of dividends can be looked for. At present price of 61 the stock has already largely discounted a resumption of dividends but the company's record is an excellent one and the stock has possibilities of doing still better.

PRESSED STEEL CAR

Pressed Steel Car in 1921 earned $5.45 a share on the preferred stock and reported a deficit after dividends of $443,094. In July, 1921 the common dividend was passed. Early in 1921 the directors and stockholders approved a plan of exchanging preferred stock into common stock, share for share, and the declaration of a 20% stock dividend on the common which would be shared by preferred stockholders who converted their stock into common. Business conditions changed so greatly, however, that the plan was held up. The outlook now is much improved and already the

(*Continued on page 7a*)

STOCKS CLOSE TO DIVIDENDS

	Price Range 1921 High	1921 Low	*1922 High	*1922 Low	Present Price	Last Dividend Rate $	Dividend Passed	Financial Condition	Business Outlook	Earnings 1921 $
American Smelting	47¼	29⅝	54⅜	43⅜	54	4	1921	strong	good	def.
Pressed Steel Car	96	48	75	63	75	8	1921	good	good	def.
California Petroleum	50⅝	25	55¼	43⅛	54	5	1918	strong	good	11.45
Continental Can	66	34⅜	63½	45⅜	62	7	1921	good	improved	3.75
Butterick	33¾	14½	34	28½	30	3	1916	good	good	5.23
Brown Shoe	46⅞	33	51	42	49	7	1920	fair	excellent	def.
Ann Arbor pfd.	32¼	20	51¼	29	48	none	....	fair	improved	surp.
American Can	35⅛	23⅛	49	32⅛	48	none	....	strong	improved	2.76
Kelly, Springfield	54⅞	32⅛	47⅞	34¼	47	†	1922	good	improved	def.
Amer. Hide & Leather pfd.	62⅝	40½	71⅞	58	69	7	1921	fair	good	def.
U. S. Smelting	39⅝	26	38	32¾	37	2	1921	good	good	def.
Southern Ry. pfd.	60	42	54⅜	45⅜	54	5	1921	fair	improved	3.33
Missouri Pacific pfd.	49⅛	33⅛	55⅜	43½	55	none	....	strong	improved	surp.
St. Louis & S. F. pfd.	39⅛	27⅞	51⅛	36	51	none	....	fair	good	43.1
St. Louis South W. pfd.	41	28	44⅛	32⅜	44	4	1914	fair	good	12.5
American Zinc pfd.	40⅞	22⅝	46⅞	36	40	6	1920	good	improved	def.

*Up to April 8. †Paid 12% in stock in 1921. Dividend passed February, 1922.

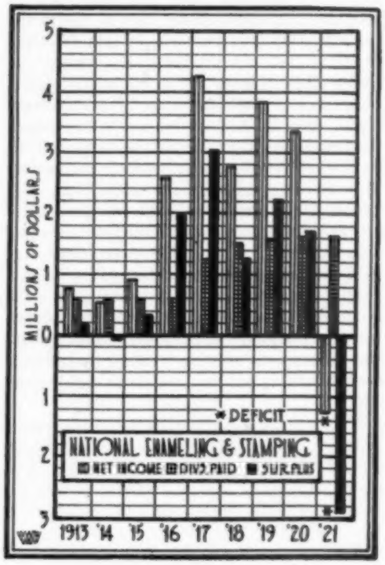
Company Enters New Business

Foreign Competition in Enameled Ware Forces Company to Enter Manufacture of Steel Products—Strong Financial Position But Uncertain Outlook

By **FRED L. KURR**

BEFORE the war National Enameling & Stamping Co. was unable to show a very satisfactory earning power. The war course cut off foreign competition in the company's principal product, enameled ware, and a period of unusual prosperity was the result. As far as foreign competition is concerned the company at the present time is in a worse position than it was before the war as the depreciated currency of Germany and Austria has brought their labor costs down to such a low figure that the company has great difficulty in competing with their enameled ware products, especially on the Atlantic seaboard. Moreover there is good reason for believing that this competition instead of decreasing will probably become more severe as Germany and Austria will undoubtedly endeavor to further enlarge their markets in this country.

It would seem, therefore, that the stockholders of National Enameling have not very much to look forward to so far as a return of large profits from the sale of enameled ware is concerned.



New Interests

In February of this year new interests headed by Clement Studebaker acquired control of the board of directors by the election of six new directors. These new interests are inclined to take a pessimistic view as to the future of the enameled ware products of the company and have advocated a policy of making this end of the business subordinate and to develop to a greater degree the manufacture of steel products. It must not be thought that enameled ware has in the past made up the entire business of this company. As a matter of fact it has contributed only about one-third of the company's sales, the major portion being in cook stoves, other patented articles and steel products. As a steel company National Enameling will have quite a good start as the Granite City steel plant and St. Louis Iron Works have at the present time an annual capacity of 450,000 tons.

Bond Issue?

Full details of the company's plans for expansion in the steel industry have not as yet been worked out but it is understood that additional furnaces and mills will be constructed. In order to meet the cost of this expansion it is anticipated that a bond issue of $15,000,000 or thereabouts will be put out shortly.

For the year ended December 31, 1921, the company reported an operating loss of $217,510 and a deficit, after deducting depreciation, bond interest and dividends on the common and preferred stocks of $2,894,123. In spite of this loss the company is in very good financial condition with a working capital of about $6,500,000. Inventory account was reduced during 1921 from $8,687,000 to $5,592,000 and as a result the company was free of bank loans at the end of the year. This working capital is sufficient to take care of the present business of the company but for further expansion new money will be needed.

National Enameling has made a $4,938,257 investment in the stock of the St. Louis Coke & Chemical Co. representing about a one-third interest. The plants of this company are understood to be the first that have successfully coked Illinois coal into a metallurgical coke, with its natural byproducts. This coke is being used in a 500 ton blast furnace for the production of pig iron. This company will make an important addition to the steel manufacturing business that is being built up.

Capitalization

Capitalization of National Enameling consists of $1,796,000 first mortgage 5% bonds due 1929, $10,000,000 7% cumulative preferred stock and $15,591,800 common stock, par value $100. Dividends have been regularly paid on the preferred stock since organization. After a ten year omission of common dividends they were resumed in 1917 when 4% was paid. In 1918 6% was paid and this rate was continued until February 1922 when the dividend was passed.

As regards the future of National Enameling there are a good many uncertainties that time only can clear up. The expenditure of millions in developing the steel business of the company is a venture that may or may not prove profitable, depending largely on how efficient the management proves to be in this line. The steel industry became rather crowded during the war period and it may be some time before the natural growth of the country will take care of the great increase in the capacity output of the steel companies of the United States. In other words, it does not appear to be a particularly favorable time to enter the steel business on a large scale. The company does an excellent business in stoves and this end of its business should continue to bring in a steady income.

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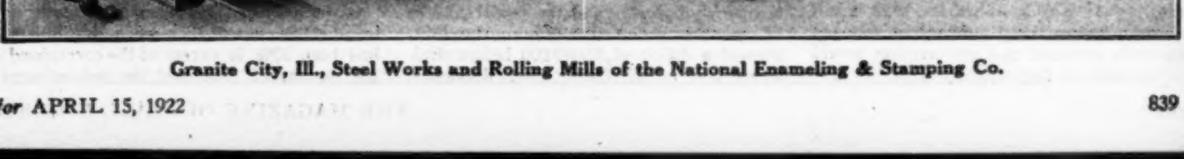


Granite City, Ill., Steel Works and Rolling Mills of the National Enameling & Stamping Co.

Why the Motor Accessory Stocks Are Strong

Reasons for the Advance in the Shares of the Principal Companies in This Field—Has the Improvement Been Fully Discounted in the Stock Market?

By **JOHN MORROW**

INQUIRIES are developing into orders, and the motor accessory manufacturers are more cheerful than they have been for months. The increase in the output of automobiles has been immediately reflected in increased operations at plants of the accessory makers, and so far as may be seen now the prospects for 1922 are relatively satisfactory, although no one is talking "boom."

The accessory field is a big one and its growth during the past four years has been little short of phenomenal. Shares of the leading accessory makers are on an established footing on the New York Stock Exchange and they are currently active and strong. Already these stocks, by substantial advances from the lows of 1921, have reflected the improved prospects, but now prospects, apparently, are about to be converted into actual orders on books, a situation which emphasizes the interest attached to a review of the positions of the leading companies in the accessory field. No one company dominates—each one makes a specialty of a certain kind of product essential for automobiles.

General Motors, which includes in its organization several accessory companies, is not included in this review. A few years ago that corporation took over the United Motors Corporation and thus owns plants which make starting, lighting and ignition systems, bearings, etc. Principally, however, General Motors is a maker of automobiles and therefore is not primarily classed as an accessory maker, although its influence in this field is most important.

KELSEY WHEEL

One of the most interesting and one of the most prosperous of the motor accessory companies is Kelsey Wheel, which earned, in the year ended December 31, 1921, over $16 a share upon the $10,000,000 common stock and which is paying dividends at the rate of $6 a year. This company was incorporated in 1916 to manufacture wheels, rims, brake-drums and other accessories. The capitalization now is the same as it was six years ago, except that the 7% cumulative preferred has been reduced from $3,000,000 to $2,727,000 through the operation of the annual sinking fund.

In the five years ended December 31, 1920, total earnings upon the common stock were between $50 and $51 a share, and yet dividends were not inaugurated upon the junior shares until November, 1921.

Kelsey Wheel numbers among its customers the Studebaker and the Ford companies, and those two are among the most prosperous of the automobile manufacturing corporations. Consequently, the showing of Kelsey Wheel in 1921 is not altogether surprising, although it was not generally expected that net earnings would be as large as they actually were.

The preferred stock, which has paid 7% since incorporation, is well protected by earning power, and in fact dividends annually require less than $200,000. Selling between 100 and 105 the stock looks attractive and relatively cheap and it ought to work its way gradually up among the ranks of the higher grade preferred issues.

From the low of 1921 the common stock has had a remarkable advance, having risen over 75 points, or from 35 to 110. On first thought that may seem like an outright inflationary rise, but when the earning power of the company in a poor year like last is considered, and when the prospects for 1922 are weighed, the advance looks like proper recognition of possibilities. Of course, after a rise of that size there may be considerable profit taking, but the common shares are speculatively worth-while on any setback to below 100.

Kelsey Wheel has a simple capital structure, as neither the company nor any of its subsidiaries has any funded debt. The main plant is located at Detroit, Michigan, and is said to be the largest automobile wheel plant in the world.

The efficiency of the management and the ability of the company to readjust itself to conditions may be gauged from the fact that in 1921 sales were $17,484,000 with net profits $1,792,000. In 1919 and 1920 sales averaged $23,000,000 but average net profits were only about the same as the net profits of 1921, with gross business about 40% larger.

AMERICAN BOSCH MAGNETO

American Bosch Magneto Corporation, formed in 1919, has had rather a sensational career. The company, acquired in 1919, the rights, assets and business of the Bosch Magneto Company, which had been seized by the Alien Property Custodian. In 1921 there were charges that all was not regular in connection with this property transfer, which brought from the Alien Property Custodian official denial.

American Bosch has outstanding 96,000 shares of stock, which are preceded by $2,500,000 8% notes due 1936. These notes were sold in the Spring of 1921, presumably to furnish the company with additional working capital and to bolster general financial position.

In 1919 and 1920 Bosch Magneto earned a total of over $30 a share on the common stock. Dividends were begun in 1919. In that year $5 was paid, and in 1920 $9.50, also in the latter year a dividend of 20% in stock was paid. The last dividend payment was one of $1.25 in April, 1921.

Last year the bottom dropped out of the company's business, and the report for the 12 months ended December 31, 1921, showed a deficit of $2,049,000 before dividends and of $2,170,000 after dividends. Of the year's net loss over 80% was due to inventory adjustment. This net loss of $2,000,000 is equivalent to over $30 a share upon the outstanding stock or an amount just about equal to the earnings of the years 1920 and 1919. In short, it would appear as if the company must completely rebuild earning power, and the success of the recovery is, of course, dependent upon the general recovery in the automobile industry. **The stock has reflected the change in sentiment, as it has advanced from a low of 29⅝, in 1921, to 43. This advance apparently has discounted substantially the improved business outlook, and a further rise should await concrete evidence of a restoration of the business of the company to a point where measurable surpluses are shown upon the shares.**

In 1920 and 1919, when business was brisk, shipments of magnetos averaged 270,000 yearly. Unfilled orders on January 1 last were in excess of $8,500,000, compared with $6,300,000 on January 1, 1921.

MARTIN-PARRY

During the war boom many industrial corporations which had been engaged in business for years with small capitalization, and turning over relatively small profits, found it necessary to recapitalize and secure larger working capital in order to meet the flood of business which the abnormally prosperous conditions brought. The Martin-Parry Corporation was one of these and, in its present form, was incorporated in 1919, although the business had been under way for 30 years. The present corporation is a combination of the Martin Truck & Body Corporation and the Parry Manufacturing Company, both of which originally concentrated on carriages, wagons and buggies. Present capitalization consists of 100,000 shares of stock of no par value, with no funded debt.

Earnings on this capitalization have been modest, for in 1919, $2.44 was earned and in 1920, $3.11. In 1920 the stock was put on a $2 dividend basis, and this rate is being continued. Earnings in 1921 were a little over $1 share or $105,000, but dividend deductions and inventory adjustment required over $312,000, so that the net effect of the year's operations was to reduce earned surplus from $368,000 to $160,000. Considering the severe nature of the business readjustment last year Martin-Parry came through the period in a relatively satisfactory position, and there is no reason to doubt the integrity of the organization or its ability to recover earning power. In fact, current reports indicate that earning power already is well on the way to recovery.

In January and February of this year it is officially stated that sales, in dollars, had been 50% in excess of the corresponding months of 1921, and the management

expects that 1922 will show a most satisfactory increase both in gross and in net.

Prices of the company's products were cut over 30% in 1921, and as many bodies were sold and delivered as in 1920; this in face of a 50% reduction in the volume of truck business in 1921 as compared with 1920.

Martin-Parry stock is rather closely held and the large blocks are believed to be owned by those interests which have a direct connection with the business. The shares have doubled in price from the low of 1921, but at present prices the return, at the current dividend rate, is about 7%. The market for the stock is not always active, and purchasers should buy with the idea of holding for a gradual appreciation in price, which will be measured by the general activity and prosperity in the field in which the company operates. Incidentally, its place in that field seems well secured and fortified.

MULLINS BODY

Mullins Body Corporation is another example of an old line company readjusted and expanded during the boom of 1919. The business was originally established in 1872 to engage in various classes of sheet metal work. Gradually expanding, the corporation, as it stands today, has as its principal product stampings and pressings for steel automobile bodies, fenders and engine pans for automobiles. Included among its customers are Cadillac, Packard, Pierce-Arrow, and Peerless.

Capital outstanding consists of 100,000 shares of common stock of no par value, preceded by $980,000 8% cumulative preferred. Since incorporation in 1919 earning power has not been exactly impressive as $5.90 was returned in 1920 and in the 7 months ended December 31, 1919, earnings were equivalent to $2.63.

In 1921 the company was assailed by a combination of difficulties. In addition to the general business depression the plant was closed for four months as a result of labor trouble. Consequently gross business last year was largely curtailed, the total being more than 50% under the total of 1920.

One quarterly dividend of $1 a share was paid in 1921, the payment being made on February 1. The $4 rate had been inaugurated in 1919. Resumption is not a matter of immediate concern but there is some current talk of the possibility of restoring payments within a year.

At the end of 1921 Mullins Body had a profit and loss surplus of $1,941,000, equivalent to about $19 a share upon the common after allowance for the par value of the preferred stock outstanding.

In connection with the labor trouble, which greatly curtailed operations last year, it is important to note that when operations were resumed they were resumed on the basis of a nine hour day and at reduced rate of wages, the men voting to accept the company's terms. There is little doubt that the prospects for 1922 are much more favorable than the prospects were a year ago and a duplication of the 1921 showing is not expected. The readjustment of last year apparently did not seriously impair the company's position and not a great deal of lost ground must be made up.

The common stock at about 33 seems like a fair speculation but is not, perhaps, quite as attractive as the stock of the Martin-Parry Corporation which is selling several points lower.

This comparison is injected not with the idea of discriminating directly as between the two companies, but for the purpose of pointing out that Martin-Parry stock still paying a dividend of $2 a share, is not higher than Mullins Body, which is not paying any dividends, and the earnings prospects of the two companies appear to be about on an equal plane.

STEWART-WARNER

The Stewart-Warner Corporation is one of the best known of the accessory manufacturers through its principal product, the speedometer. This corporation was recapitalized during the war period and now has outstanding 473,815 shares of stock, having no par value, whereas prior to 1920 capitalization consisted of 100,000 shares of $100 par value. Preceding the present outstanding stock is an issue of $2,000,000 8% convertible bonds due 1926, which are convertible into common at the ratio of 25 shares for each $1,000 bond. These bonds were sold to finance the purchase of the Van Sicklen Speedometer Corporation.

To illustrate the effect of the readjustment of capital, as expressed in per share earnings, it may be mentioned that in 1914 the company earned $9.20 a share on the 100,000 shares at that time outstanding. These same earnings applied to present capitalization would mean a per share result of less than $2 a share after allowing for interest charges.

In the year ended December 31, 1921, Stewart-Warner earned just over $1,000,000 after providing for Federal taxes, and these earnings were in excess of the $2 dividend rate, which requires approximately $948,000. At the end of the year the company was in a strong cash position, and during the first quarter of the current year there has been an increase of almost 100% in business done, as compared with the corresponding period of last year.

Stewart-Warner management apparently is decidedly optimistic for in the annual report it is stated that if present conditions continue it is not unreasonable to hope for an increase in the dividend rate in the near future. Stewart-Warner is now paying $2 a year upon the common stock, the rate having been cut from $4 in April, 1921.

In the eight years from 1914 to 1921 inclusive Stewart-Warner's net income averaged close to $1,900,000. This period includes good years and bad years, the top of a business boom and the bottom of a business depression, and therefore it seems reasonable to assume that the company has a potential earning power of at least $5 a share on the present capital stock and probably more, and that it is reasonable to assume that a business recovery will see Stewart-Warner among the first to increase the current dividend rate.

The stock, in the neighborhood of 40, is at a level which indicates the expectation of a higher dividend rate than $2, and therefore a good part of the improvement in the company's position seems to have been discounted.

FISHER BODY CORPORATION

Fisher Body Corporation, perhaps because it is controlled by General Motors and has an agreement with that company whereby it furnishes substantially all of the automobile bodies required by General Motors, is very prominent in the accessory industry and its shares are fairly active on the Exchange.

In the five fiscal years ended April 30, 1921, Fisher Body had an average net income of a little over $3,000,000, but this includes 1918, 1919 and 1920, before the contract with the General Motors Company was operative.

In the fiscal year ending April 30, 1922, it is estimated that Fisher Body will earn over $11 a share on the common stock, which has been paying dividends at the rate of $10 a year since the beginning of 1920. These are not abnormal earnings, and in the case of this company it is not altogether fair or altogether safe to measure present revenues with revenues of five or six years ago. The alliance with General Motors undoubtedly has permanently increased earning power. **At the same time dividend policy has**

(Continued on page 866)

THE MOTOR ACCESSORIFS

	Common Stock Price Range Since Listing High		Low		Approx. Current Market	Current Div. Rate	Earnings on Common per Share 1918	1919	1920	1921
Kelsey Wheel	114¾	(1919)	21	(1917)	105	$6	$4.83	$13.37	$16.34	$16.00
Bosch Magneto	143¾	(1919)	29⅛	(1921)	44	None	....	$15.37	$15.31	def.
Fisher Body	173	(1919)	25	(1917)	106	$10	**$10.74	$5.24	$8.00	$9.00
Martin-Parry	34	(1922)	11	(1920)	28¼	$2	....	$2.44	$3.11	$1.00
Mullin Body	53	(1919)	17⅞	(1921)	32	None	....	$2.63	$5.90	def.
Stromberg	118⅛	(1920)	22⅛	(1920)	47⅛	None	$4.83	$5.35	$4.53	***
Stewart-Warner	*50½	(1920)	21	(1921)	38	$2	****$15.95	$6.96	$5.00	$2.18
Gray & Davis	*19¾	(1922)	9⅛	(1921)	18	None	$9.70	$4.15	def.	***

*No par stock. **Fiscal year April 30. ***Not published yet. ****On 100,000 shares.

Stocks That Seem High Enough

Frank Notes by Members of Our Staff on Securities Not Well Thought of At Present Prices

The following notes represent the frank, personal opinion of Staff writers on the present position of certain securities. Present market position of these securities is an important consideration though no attempt has been made to forecast their immediate price movement. The effort is simply to review certain phases of the respective companies which, in the opinion of the writers, would restrain them from making an investment on the shares at these levels.—EDITOR.

AMERICAN SUGAR REFINING COMPANY

Reasons for including the common stock of the American Sugar Refining Company among securities which have apparently more than discounted their prospects are based on two considerations: (1) the still unsettled condition of the sugar market which, though showing improvement over a few months ago, is still subject to wide fluctuations in demand and (2) the relatively unfavorable financial position of the common stock which has arisen partly on account of the increase of funded debt last year and partly on account of the heavy losses the company had to take last year as a result of the depreciation in sugar prices.

Notwithstanding that fundamental conditions in the industry have hardly warranted excessive enthusiasm on this stock it has already had an advance this year from a low price of 54 to over 74 and is currently selling at about 71. At this high price, a stock should either be paying dividends or face dividend payment at a reasonably early date. According to a recent statement of the president of the company himself, dividend resumption on American Sugar common is still some time off. With the directors of the company feeling conservative about dividend payments, it is likely that there will be none forthcoming this year. Under the circumstances, the stock appears to be selling high enough and admitting that eventually the sugar industry and particularly this great company, will rest again on a sound basis, it would appear better policy at this point to switch holdings of the stock into some other issue paying dividends or facing payment of dividends, of which there are a number listed on the New York Stock Exchange; would prefer California Packing to this issue.—K.

GENERAL ASPHALT COMPANY

Whatever the intrinsic, or asset, value of General Asphalt common stock may be—and there are no two opinions in agreement on this point—it is quite apparent that the stock is not selling around 64 on the basis of the company's earning power or on the dividend outlook for the stock. No doubt, the company has some valuable properties, such as the world famed asphalt lake in the Island of Trinidad, the Bermudez Asphalt Lake in the State of Sucre, Venezuela, its various oil properties in Venezeula, and the plant of the Barbour Asphalt Paving Co. at Maurer, N. J., etc., etc., but the fact that the company earned less than 3% on its common stock in 1916 only 3¼% in 1917, a little over 7% in 1918, a little less than 4% in 1919, and only about 5% in 1920, to say nothing of the $900,000 loss on operations reported for 1921, would seem to indicate that Asphalt common, at 64, is somewhat out of line with corporate earning power in these times.

The fact that the stock once sold as high as 160 (on the New York Curb Market in 1919) may afford some ground for thoughtful consideration on the part of those whose speculations, or investments, are based on past performances. Experience shows, however, as in the case of New Haven, that it frequently is dangerous to buy stocks that are selling on their reputations alone. But from every other standpoint General Ashphalt can be regarded as nothing more nor less than a speculative football, whose movements, as most traders know to their cost, are as easy to follow as those of the little black ball between the fingers of the most accomplished shell game manipulator. It it simply a case of "now you see it; now you don't see it." Would prefer Pacific Oil to General Asphalt.—R.

KIRBY PETROLEUM COMPANY

This company's authorized and outstanding capital consists of 750,000 shares of no par value. It owns and holds under lease, 36,861 acres in ten or more different counties in Southeast Texas, representing ten or twelve different oil fields. The largest areas are 21,298 acres in the Kirby Lumber Lands, and 13,412 acres in Barbers Hill Field in Liberty County. The areas from which is is deriving its greatest production are 1,000 acres in the Mexia field in Limetown County, and a 15-acre tract in the Blue Ridge fields in Fort Bend County.

Practically 90% of its production, amounting to approximately 20,000 barrels daily, comes from its 1,000-acre tract in Mexia fields and 2,000 barrels daily comes from the 15-acre Blue Ridge tract. It is apparent that its present production depends almost entirely on the Mexia tract and in view of the small area of the Blue Ridge tract, it is reasonable to suppose that the 2,000 barrels daily production is in the nature of flush production.

Recently the shares have been selling on the New York Curb Market at around $23, which would place a valuation on the property amounting to $17,250,000.

Under these conditions, and in the absence of detailed geological information with regard to the productive possibilities of the company's relatively small tracts, it seems conservative to consider the valuation placed on the property by the selling price of the shares quite high enough. In fact, in view of the speculative nature of the enterprise at this stage, it would be safer to assume that the shares are selling at double their intrinsic value, if it is safe to make a guess at such value.

A quarterly dividend of 25 cents a share is being paid on the outstanding stock, but this cannot be taken as a measure of the company's ability to continue such dividends under conditions surrounding the present physical development of the property. Holders would do well to consider exchanging to Martin-Parry selling several points higher and paying twice the dividend of Kirby.—W.

UNITED DRUG COMPANY

There is no reason to doubt that United Drug has turned the corner as exemplified by the fact that in the last six months of 1921 it earned $1 a share on the common stock, as against nothing for this issue in the first half of the year. Business is getting better and with inventories well in hand the company is in a stronger financial position than a year ago. It must be taken into consideration, however, that the stock has had a very large advance from a low figure of 40 to the recent high of 73, with current quotations of about 69. At this figure the stock has certainly done a great deal toward discounting the improved position of the company and considering that the chances for resuming dividends this year are remote, to say the least, such a price is high enough.

United Drug increased its capitalization by $15,000,000 8% bonds which is not much of an argument for the common stock. This increase in capitalization alone requires interest payments of a size to prevent early restoration of dividends, even assuming a steady increase in business.

As a non-dividend payer at 69, United Drug common hardly looks attractive in comparison with Worthington Pump at 54 which pays $4 a share (dividend declared a whole year in advance). Other attractive issues into which holders of United Drug common might exchange their shares are California Petroleum at 54 which is in line for dividends (see article elsewhere in this department): Colorado & Southern at 46 which pays $3 a share and Philadelphia Company at 37 which pays $3 a share. Certainly in comparison with these three issues, United Drug for ordinary investment purposes is not attractive.—D.

Inquiries On Industrial Securities

Inquiries on Other Securities Will Be Found in Their Respective Departments

HAS PROFITS IN WOOLWORTH

Switches Suggested

It has been suggested that I sell my 26 shares of Woolworth common bought in 1919 at 128½ and switch into California Packing, which would increase my income on the basis of present dividends. The Woolworth represents in part the speculative portion of my holdings, two-thirds of which are in Government and industrial bonds. Will you kindly give me your advice in the matter of the switch?—B. M., New York City.

While we think very well of California Packing, and believe it has good speculative possibilities at present levels, still this company's record is not as good as that of F. W. Woolworth, and should say that you are taking on a little extra risk. It might be advisable to distribute your holdings a little more instead of switching all into California Packing, and pick out two or three securities. A suggestion is Standard Milling selling around 123 and paying 8%. This company is earning at the rate of 25% at the present time and in the past ten years has averaged about 18%. It is in sound financial condition and an extra dividend, or stock dividend, is anticipated this year. We should also favor American Smelting & Refining 7% preferred selling around 95.

REMINGTON TYPEWRITER

2nd Preferred Has Possibilities

What do you think of Remington Typewriter common stock at present price of 36? Would the 2nd preferred be a better speculation?—T. W. E., Athol, Mass.

Remington Typewriter put out a poor report for 1921, showing a good-sized deficit, but this deficit was largely due to depreciation of inventory. The company is in fairly comfortable financial condition and the outlook now is very much improved. Dividends on the 1st and 2nd pfd. stocks, however, were passed in May, 1921, and as these stocks are cumulative, the back dividend must be paid off before the common gets any. While we believe the common stock to have fairly good speculative possibilities, would prefer Remington Typewriter 8% cumulative 2nd pfd. selling around 59. Should Remington Typewriter do as well as expected, the 2nd pfd. would appear to have excellent speculative possibilities and in a year's time might advance substantially.

WHITE MOTORS

Outlook Improved

As a subscriber to THE MAGAZINE OF WALL STREET, I take the liberty of asking your opinion of White Motors common. Do you regard it as an attractive speculation at the present price? Will you advise me as to what is a good preferred stock yielding 8%?—T. B. V., Albany, N. Y.

White Motors put out a poor report for 1921, showing a good sized deficit. As soon as the report was published, however, the stock had an advance; the idea being that the bad news is now out and that the company faces a favorable year. White Motors is generally regarded as having a very able management and is in good financial condition. At present prices of around 40, the yield is 10%. A few weeks ago the regular dividend was paid and in view of the improved outlook, it would appear that there is a good chance that this dividend can be maintained. We regard the stock as a rather attractive speculation.

B. F. Goodrich 7% pfd., selling around 85, yields about 8%. We believe this company has turned the corner and that the preferred stock will gradually get into a stronger investment position.

WESTINGHOUSE AIRBRAKE

Attractive Speculation

I would like to have your opinion as to the purchase at this time of Westinghouse Airbrake. This stock is very well thought of in Pittsburgh, and has always had a high collateral value. The stockholders have always been well taken care of and it is at present paying the lowest dividends it has done in years. It seems to me that having the near monopoly it has, and with the liklihood of greatly increased railroad buying in the near future, that this might be the opportune time for the purchase of such a security.—J. D. R., Bellevue, Pa.

The Westinghouse Air Brake Company's report of operations for 1921 showed net income of $705,546, after inventory adjustment amounting to $706,944, but $4,081,474 in dividends had been distributed, resulting in a deficit for the year of $3,375,928. The reduction of the dividend from $1.75 to $1 quarterly resulted in a substantial recession in the price of the stock. However, an examination of the company's balance sheet shows an unusually strong position, working capital being around $18,000,000, excluding consideration of its investment account of around $9,000,000. In view of the financial statement of the company and the improved conditions confronting the transportation lines, which it is natural to believe will result in their being in the market for equipments manufactured by this company, we are of the belief that the stock has discounted adverse earnings for the past year and around present levels can be considered as having attractive speculative possibilities.

PREFERRED STOCKS

Not Now Paying Dividends

Will you please send me a list of 10 speculative preferred stocks that are not now paying dividends, and which appear to have a good chance of resuming dividends in the next two years?—N. E. H., Quincy, Ill.

Replying to your request for a list of ten preferred stocks not now on a dividend basis, which we consider have speculative possibilities, we take pleasure in referring you to those shown below.

American Water Works & Electric Co. 6% pfd.
American Zinc, Lead & Smelting pfd.
Central Leather pfd.
Chicago, Eastern Illinois pfd.
Missouri, Kansas & Texas pfd. W. I.
Missouri Pacific pfd.
Republic Iron & Steel pfd.
St. Louis & San Francisco pfd.
St. Louis & Southwestern pfd.
Remington Typewriter 1st and 2nd pfd.

MOTOR WHEEL CORP.

How do you regard Motor Wheel Corp. common stock as a long pull semi-speculative investment? Is the present dividend rate of 8% reasonably secure? How is their business holding up?—F. D. S., Flint, Mich.

Motor Wheel Corp. is one of the largest manufacturers of motor wheels. This company in 1920 purchased all the assets of the Prudden Wheel Co., the Auto Wheel Co., and the Gier Pressed Steel Co. of Lansing, Mich., and the Weis & Lesh Manufacturing Co. of Memphis, Tenn. In addition to wheels the company has an extensive production of hub caps, axle housings, brake drums, etc., and will be equipped to supply metal wheels should the demand arise.

The wheel manufactured is the artillery type which is still standard construction. The common stock of this company we should say has possibilities but we would place it in the decidedly speculative class, one

(*Continued on page 860*)

HOW TO GET 8% IN PREFERRED STOCKS

Best Method is to Distribute Holdings Among Several Companies That Appear to be on the Up Grade

I have $10,000 available for investment in preferred stocks. This will only represent a portion of my investments as I have larger sums placed in good bonds and real estate. My idea in investing in preferred stocks is to purchase issues that give a subtantial return 8% or more and which appear to be in a good position to appreciate in value if held for few years. Would be pleased to have you submit me a list.

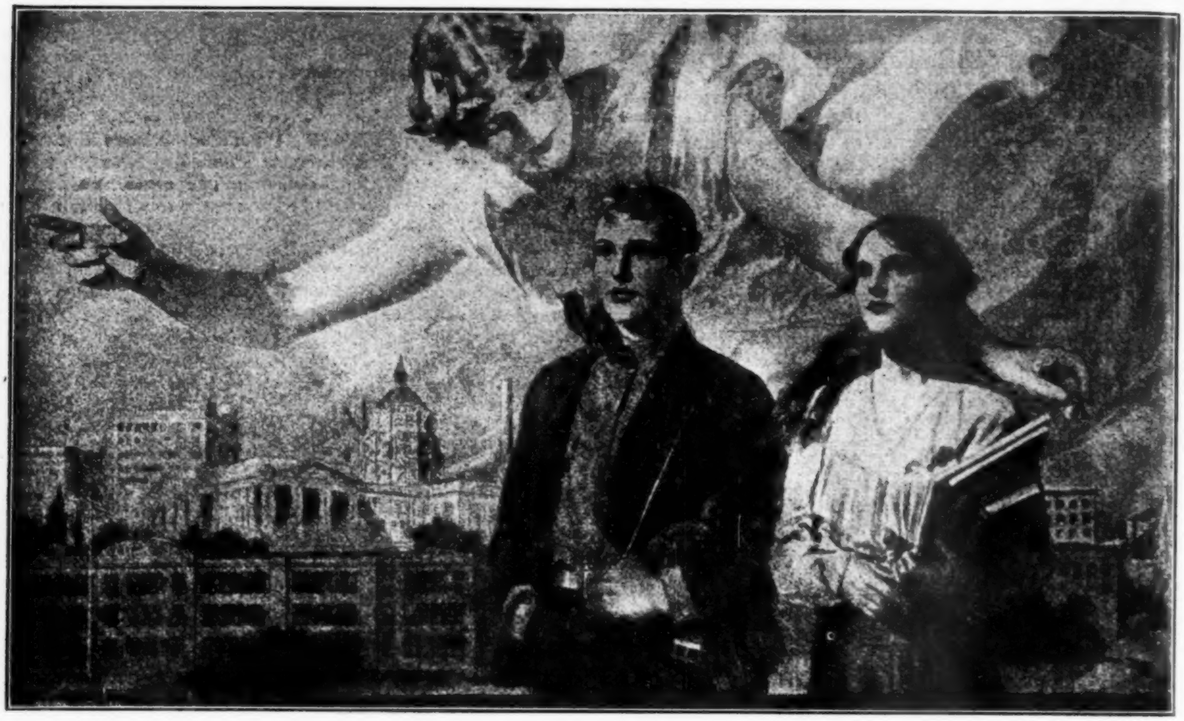
G. E. T., Pittsburgh, Pa.

In our opinion there are some very desirable investments in preferred stocks at the present time and we believe your idea to put part of your investments in issues of this kind is a good one provided of course that you are in a position to take a slight amount of risk. We have selected for your consideration a list of six preferred stocks whose dividends in view of the improvement in their business appear to be reasonably secure at the present time. The managements of all these companies are well regarded, their record in the past has been good and the stocks have a good market on the New York Stock Exchange. The list follows:

Stock	Dividend	Price	Yield
Worthington Pump Preferred B	6%	70	8.5%
B. F. Goodrich preferred	7	85	8.2
Kelly-Springfield preferred	8	98	8.1
International Motor Truck 2nd preferred	7	75	9.2
American Smelting & Refining preferred	7	95	7.4
California Petroleum preferred	7	91	7.7

All of the above preferred stocks are cumulative as to dividends. The average yield of the six issued at the prices noted is 8.2%. International Motor Truck 2nd preferred stock is perhaps the most speculative of the group as the continuance of the dividends has been questioned because of poor earnings in 1921. The outlook for the motor truck industry has improved so much recently, however, that preferred stock is getting in a much stronger position.

Building Your Future Income



Courtesy National City Co.

A Chat With a Prospective Investor

Q. I have $5,000 in the bank, and am adding to it at the rate of $25 a week. Would you advise me to invest this in securities?

A. If you have studied security investing, if you know values, yes. Otherwise, no.

* * *

Q. After I have acquired this knowledge and am sure I understand the business, would you have me put all my savings into this security field?

A. Probably the most conservative plan would be for you to take stock of your own "current liabilities," keep in the bank, in the form of cash, enough to cover these liabilities, and invest the rest.

This plan would serve two good purposes: It would guard against your becoming cramped for ready cash. It would keep your security investments, during your training period, down to a conservative level.

* * *

Q. Suppose I found it possible to put $2,500 into securities. How would you split that up, as between gilt-edged investments, medium grade, and so forth?

A. An analysis of Jacob H. Schiff's holdings, on another page of this issue, might serve as a good guide to you in this connection. Schiff, with millions at his disposal, put over 75% of his funds in high-grade bonds, and about 15% more into high-grade stocks. His ventures in mining and oil stocks composed scarcely more than 2% of his total. If you follow his plan, you would not put more than $50 into issues of this sort.

Without knowing your full circumstances, we would suggest that you invest $2,000 of your $2,500 in high-grade bonds, and the remainder in good preferred stocks, or particularly good common stocks.

* * *

Q. Should I buy on margin at the outset?

A. Margin-buying is, essentially, a form of trading, and only those who have demonstrated their ability to judge values should resort to it.

UNLESS they enlist banking aid, or buy on the instalment plan through a reliable brokerage house. Almost any well-informed investor, having a cash surplus, is justified in taking either of these two courses.

* * *

Q. Will you tell me, in a few words, just what I would gain and what I would lose by investing in securities rather than sticking to the savings bank?

A. We will. But first let us emphasize that we do not advise any small investor to remove all his funds from the bank. We consider a substantial savings bank account one of mortal man's best assets.

You would lose a certain element of safety and security. A savings bank is better qualified to invest funds than almost any individual. Its interest payments are practically beyond question.

You would gain a potentially larger income. Figure it out on the basis of $1 invested each six months: As a well-informed investor, you should be able to average 6% which, in 15 years, would convert your two dollars a year at 6% into $47.57. The same money deposited at the same rate in a savings bank at 4% would amount to just about $7 less.

Prize Story

Opportunity Knocks Once

A Business Woman's Plan for Re-Investment of Income

By J. R. H.

NOTE:—The uniform excellence of the many articles entered in this Department's recent Prize Contest made selection of the Prize Winner a very difficult task. After much deliberation, it was decided that the following article, combining clarity, practical suggestion and inspirational value to an unusual degree, possessed a slightly stronger appeal to our readers than any of the other articles and it was therefore judged the winner.

SECURITIES HELD

	Cost	Market Value 3-1-1922	Annual Income
1,000 U. S. A. 2nd Liberty Loan 4¼s, 1942	$1,000	$980	$42.50
1,000 U. S. of Brazil 8s, 1941	970	1,040	80.
1,000 French Republic 7½s, 1941	945	1,000	75.
1,000 Southern Rwy. Dev. & Gen. 6½s, 1956	945	945	65.
1,000 Pacific Gas & Electric Ref. 6s, 1941	990	990	60.
1,000 Mexican Petroleum Conv. 8s, 1936	975	1,020	80.
1,000 United Drug Co. Conv. 8s, 1941	1,055	1,070	80.
1,000 Norfolk & Western Conv. 6s, 1929	1,020	1,060	60.
1,000 St. Louis Southw'n Cons. 4s, 1932	680	730	40.
1,000 St. Louis San Fran. Inc. 6s, 1960	475	620	60.
10 shares Canadian Pacific Rwy	1,130	1,380	100.
10 " American Tel. & Tel	1,130	1,200	90.
10 " Atchison Topeka & Santa Fe Com.	910	970	60.
	$12,225	$13,005	$892.50
Loans and Interest		$9,000	$450.
Net		$4,005	$442.50
Annual savings			500.
Annual Sinking Fund to be applied to reduction of loans			$942.50

THE year 1921 will long be remembered in the minds of business men and investors as the year when security prices reached their lowest point in more than a generation, the year when railroad systems and industrial corporations of the highest credit standing had to beg an unresponsive public to loan them money at 7 or 8%, and sometimes could not sell their bonds without difficulty at that rate.

But the pendulum must swing both ways. Already it is moving in the opposite direction, and the same public which a year ago could hardly be persuaded to buy 7s at a discount is now eagerly absorbing 5s at a higher price. It is a common saying in Wall Street that the secret of success lies not so much in knowing *what* to buy as in knowing *when* to buy, and bankers, brokers and financiers are all telling us that if we have not already bought to our limit now is the time to buy.

But the trouble with us is most of us *have* already bought to our limit. How often in the past year, with rising security prices plainly ahead of us, have we heard some one way: "Oh, I could make a fortune now if I only had the capital. I would invest it in such and such stocks and such and such bonds, and in a few years I would sell out at prices 25 to 50% higher. How unfortunate it is that I will almost certainly never again in my life see such opportunities to invest as I see today, and here I am unable to take advantage of them because I have no money."

To Meet the Situation

Pondering upon this situation, I endeavored to see how a plan could be devised which would enable the salaried worker, with but a small amount to put by each year, to invest at present-day prices a sum sufficient to be used at least as a basis for financial independence in later life. I had figured that I could without serious discomfort save about $500 a year from my salary. The problem was how to invest that $500 as many times as possible in such a way as to take advantage of present prices and interest rates.

Numerous plans presented themselves, but none seemed to meet my needs. Instalment payments for a particular purchase extend over only about a year at most, and at that rate my $500 would not buy many bonds. Carrying securities on margin is not very satisfactory for the individual who desires a diversified list of small holdings for permanent investment.

After some thought, however, it finally occurred to me that with a small amount of capital for use as margin—and this I was fortunate enough to possess—the securities which I desired could be purchased with money borrowed from my bank, and the loan could be paid back gradually by a sort of sinking fund plan, through the accumulation not only of my yearly savings, but also of the difference between the amount received as interest or dividends from my investments and the amount required to pay the interest on the loan. In this way the debt incurred could be made to a very large extent self-liquidating.

The Basis for the First Loan

During the war I had subscribed to about $2,000 of Liberty Bonds, and since that time I had saved about a thousand dollars which I had invested in other securities. Using these as a basis for a loan I proceeded to borrow at different times sums aggregating $9,000, with which I have purchased high grade stocks and bonds with a yield higher than the interest I am paying on my loan. These purchases were used, of course, as additional collateral for the loan, so that at the start I owned $12,000 of securities against loans of $9,000, giving my bank a margin of 33⅓%. As their market value has since advanced to about $13,000, there is now over 40% margin, which I deem ample protection in a market which seems as certainly pointed toward higher prices as the present one.

The income from my investments is about $900 per year, and the interest on my loans is now $450. This leaves a surplus of $450 a year, which, added to the $500 which I plan to save, will be used to pay off the principal of my loans. Allowing for gradually increasing payments as my interest charges decrease, this will take about eight years, at the end of which time I will own my investments outright with no debts against them.

Of course, it is quite possible that I may not attempt to carry a loan for so long—my bank may have serious objections to such a policy—and in the event of any of my securities showing a substantial profit I shall probably sell a few of them to hasten the process of liquidation. The reduction of interest charges will result in the release of more income, which may be re-invested to bring the principal back to its original amount. In either case I shall have received the benefit from investing at present prices, and the debt incurred to do so will be paid off largely out of the profits and the surplus income from the securities purchased with it, this being accomplished by a plan of amortization extending over a number of years.

Securities Purchased

The securities purchased, in addition to Liberty Bonds, of which I have retained but $1,000 of my original investment, fall into three main groups:

1. **Long term non-callable bonds with as high a rate of interest as could be obtained with a reasonable degree of safety. These include French Republic 7½s, U. S. of Brazil 8s, Pacific Gas & Electric 1st & Ref. 6s, and Southern Railway Development & General 6½s.**
2. **Bonds of a semi-speculative character, chosen chiefly for their profit possibilities, such as United Drug Co. Conv. 8s, Mexican Petroleum Conv. 8s, St. Louis-Southwestern Cons. Mtge. 4s, and St. Louis-San Francisco Income 6s. Norfolk & Western Conv. 6s, although not speculative, may also be placed in this group, as they were chosen for their stock conversion feature.**
3. **Investment stocks of the highest grade, such as Canadian Pacific Railway, American Telephone & Telegraph Co., and Atchison, Topeka, and Santa Fe Railway Common.**

All bonds are held in single thousands, and all stocks in ten share lots. Government securities constitute about 25% of the total, railroad securities about 45%, public utilities 15%, and industrials 15%. About 25% of my holdings are common stocks.

In selecting investments one principle has been strictly adhered to—interest charges or dividend requirements, as the case may be, must have been fully earned in the past year, and in most cases there

must be a substantial record of earnings in previous years as well. No security is considered a bargain if it is selling at a low price merely because such requirements are not being covered. Having chosen my investments after careful study, I believe that my chances of loss are very small, as with one or two exceptions charges or dividends of the securities in my list have been covered by a good margin in what certainly appears to have been one of the most unfavorable years in their history. None of them, except the Liberty Bonds, are now selling at a lower price than I paid for them, and most of them are already considerably higher. Should earnings decline I should not hesitate to take a small loss, rather than run the risk of selling at a large one for lack of proper margins.

The Ultimate Goal

Of the ultimate value of my principal account it is impossible to judge. It is quite likely that security prices will never again reach the heights of 1900, but at a conservative estimate I believe that my $13,000 of stocks and bonds should have a market value of at least $15,000 or $16,000 at some time before the end of the present bull movement. Some of them I shall probably hold permanently; others I shall endeavor to liquidate at as near their high point as possible and re-invest to better advantage at a later date. My list contains too many bonds maturing about 1941, and some of these must be changed when they show a considerable profit. When my debt has been entirely paid off, I shall continue to apply the entire income from my securities to the purchase of new investments for a few years longer, until the total has reached a sum sufficient for financial independence.

There are two objection to my plan as applied to the average wage-earner. In the first place everyone does not have capital to start with. For such the plan fails absolutely, as it is impossible to borrow without some collateral other than the securities purchased with the loan. But **there are a great many people who have small amounts invested in Liberty Bonds or otherwise, and even if carried out on a smaller scale the plan would still be worth while.**

The second objection is the risk involved in carrying obligations of private corporations on borrowed money. To reduce this risk to a minimum requires constant study and care, and the small investor who has not wide sources of information as to earnings at his command should perhaps not enter the speculative field even so far as I have done. But I believe that **there are still many bonds yielding over 5%—the usual rate on bank loans at the present time—which are sufficiently safe for the average business man or woman—the intelligent reader of The Magazine of Wall Street—to hold on borrowed money, and even if there is little to be gained in the way of income return, the prospects of appreciation in price are still good enough to make their purchase worth while.**

Conclusion

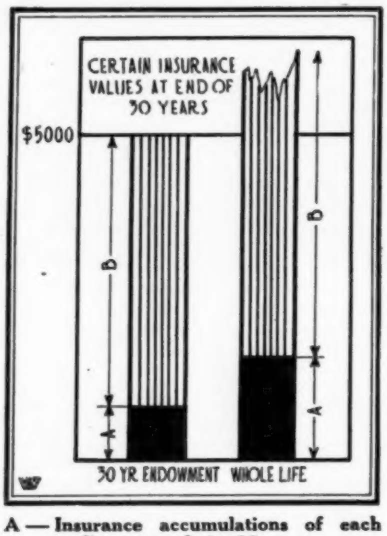
Personally I believe that most people are far too willing to trust their own money to bucket shop swindlers and promoters of wild-cat schemes, and far too timid about borrowing from reputable banks for the purchase of high-grade conservative investments. There is little risk and no disgrace in going into debt for the purchase of mortgage bonds of our great railroad systems, or the obligations of industrial corporations of a similar character. This principle was recognized by the head of one of our great packing houses when he advised his 35,000 employees to "get into debt for some good cause, and as soon as you get out get in again." Whether you subscribe to a "thrift club," buy securities on the instalment plan, or make your own purchases with money borrowed from the bank, makes little difference, provided you adopt some sort of a plan for systematic saving, adhere to it faithfully, and choose your investments with sufficient intelligence and care.

Investing in Insurance

Does It Help?—What Type of Policy Is Best?—How Investor Will Fare

By **ROBERT SAUNDERS DOWST**

THE first and fundamental purpose of life insurance is *protection*, and from that fact follow a number of corollaries—at least for the financially informed, such as the readers of THE MAGAZINE OF WALL STREET. One of these corollaries is that one should not lose sight of the fundamental purpose and adaptability of insurance and seek to use it primiarily for an end which it is not adapted to serve, *except for special reasons*. I have particular reference to the tendency or practice to use insurance as a mode of accumulation or investment.



A — Insurance accumulations of each policy as such in 30 years.

B — Accumulations of extra premium funded by insurer, in case of endowment policy, and of equivalent amounts funded by insured himself, at substantially greater interest, in case of whole-life policy.

The special reasons alluded to above which may justify one in using insurance otherwise than strictly for protection—for saving, in a word—have their root in the imperfection of human nature. It is very easy to say "I will save." It is very hard consistently to do so; not so much to avoid spending at any particular time—that, too, is easy—but to avoid spending uniformly and systematically, except for necessaries and proper luxuries and amusements. And **the life insurance policy comes to the rescue of those of us who are deficient in the financial backbone to accumulate and then to leave it alone. Premiums are paid as are other current expenses, perhaps grudgingly, but paid, and the cash value of the policy, whatever its type, increases insensibly and with little temptation to break in upon it.**

So much for insurance as, apart from protection, a form of almost *forced* accumulation. If one finds that he *cannot* save, that he uniformly spends without thought and result the money for which he gives his sweat and brains, upon which he will be dependent in his old age for support and self-respect, then let him take on insurance to the very limit, of any and all types. It undoubtedly will prove his financial salvation. But in addressing a body of readers—those of THE MAGAZINE OF WALL STREET—who have cut their financial eye-teeth and are acquiring investment knowledge and applying it systematically to the betterment of their worldly affairs and personal character, something more remains to be said.

Investment Aspects

That something more, in the particular case of this article, has to do with the investment values of whole-life and endowment insurance. The matter is simple enough, but will bear a little elaboration, in view of a very general misconception of the facts.

As I have already said, and the statement will justify itself in repetition, the fundamental purpose of insurance is *protection*. Therefore the typical form of insurance contract is the whole-life policy, so-called, which gives maximum protection in point of time, *i.e.*, it covers the holder for his whole life, and in point of cost, *i.e.*, dollar for dollar of premium this is the cheapest form of insurance, and will give the maximum return in dollars in the event of death.

However, there has always been a foolish notion in the minds of the general public that life insurance, while admittedly a good thing for the holder *and* his beneficiaries, is primarily nothing but an expense to the holder alone, no proceeds being payable until his death. To meet this objection the endowment policy was devised, a contract whereby the insurer not only agrees to pay the face of the policy in the event of the insured's death, but also agrees to pay such face amount in cash to insured himself if he is living and not in default of premiums at the end of a specified term of years, ten or fifteen, per-

haps, twenty very commonly, often more. *But*, of course, such a policy has no vitality, extends no protection, after it has matured. In other words, and essentially, the endowment policy, so-called, in its typical form, is merely a *term* policy, *i. e.*, a policy covering the risk only for a specified number of years, instead of the whole life, *plus* a savings-bank feature. The insurer issues, in substance, (1) a term policy for the required number of years, charging the usual premium on such a policy, and (2) charges an additional premium, which is not applied to insurance uses as such at all, but is invested at a low rate of interest, practically savings-bank interest or loss. The additional premium is calculated to be such that it, with its accumulations, plus the insurance accumulations of the term policy, will equal the face of the policy at the date when it is payable.

Exploding a Fallacy

It thus becomes evident that the commonly accepted idea of the investment value of an endowment policy is erroneous.

First—the matter just discussed—it is erroneous because the accumulation of the additional endowment premium over the normal term is slow on account of the low rate at which it accumulates—much lower than is obtainable for investment funds retained in the individual's possession and used by him intelligently for accumulation along the lines of investment constantly discussed in this MAGAZINE.

Second, the idea of the investment value of an endowment policy is erroneous because the accumulations of the term policy itself and as such, as a contract of insurance participating in the benefits of all policies of its given year and class, are very appreciably less than in the case of a whole-life policy, whereby maximum *insurance* accumulation is obtainable. This point cannot be demonstrated here, and it would take an insurance actuary to do it properly, but the statement is accurate, and the fact indisputable.

To put the whole thing in a nutshell, and very concretely: Assuming (the figures are mere assumptions for illustration, and not necessarily accurate) that a straight life or whole-life policy for $5,000 at age 30 requires an annual premium of $125, and that a 30-year endowment policy for the same amount at the same age requires a premium somewhat greater, say $175: **If the endowment policy be taken out and all premiums paid (with dividend deductions, an element which can be ignored here), at the end of thirty years insured will receive from the insurer $5,000 in cash. But if the whole-life policy be taken out, the smaller premium paid, and the difference between that and the endowment premium funded by insured himself at 5½ to 6%, which can easily be done, at the end of thirty years, though the policy as such will have not matured, nevertheless the insured could surrender it, and its cash surrender value, plus his outside fund from the investment of the difference between its and an endowment premium, would in all cases be greater than the $5,000 face value of the endowment policy.**

Conclusion

The point against the investment value of endowment insurance is very simple. Insured is paying an extra premium to the insurer to invest for him at a low rate of interest which he might retain and invest more advantageously for himself while securing the same protection—greater protection, in fact, because longer—under the whole-life policy. And then there is also the advantage, in favor of whole-life insurance, of greater *insurance* accumulation as such.

The point in favor of the investment value of endowment insurance was adverted to in the beginning. Not all men can handle their funds safely and to advantage, and the endowment policy is at least safe and sure. Nothing here said should be construed as an attack upon it. I have simply developed the mathematics of the thing for those who have the backbone to adopt and follow an investment plan

Has the Small Investor a Chance?

What the Opportunities Are—Profits in Last 8 Months

A LOT of people have expressed the idea that the small man can't hope to make money in the stock market. The theory must be that Wall Street is monopolized by a "clique" of multi-billionaires, whose whims and fancies dictate the movements of security prices, and at whose slightest nod disastrous slumps occur.

All of which, to put it mildly, is tommy-rot.

The best thing about the security market of this country is the fact that it is too vast to be anything but absolutely impersonal—too huge to be beyond the control of any man, or set of men—that it is solely, finally and absolutely a great, inhuman machine.

Recommendations Made

Issue	Then	Now	Profit
Montana Power 5s....	83	94	11
S. O. New Jersey pfd.	105	114	9
Miami Copper	20	28	8
Comp. Tab. & Rec...	30	75	45
Hupp Motor	11	17	6
Allis Chalmers	31	48	17
Loft, Inc.	9	13	4
	289	389	100

And in forecasting the operations of that machine, and profiting from intelligent forecasts cautiously and shrewdly made, the small investor has just as much chance as the big fellow.

The only difference is in the actual amounts of money involved. The proportions are the same.

Proof

The Building Your Future Income Department isn't inclined to making statements that can't be proven. It doesn't want to leave the emphatic statements made above without proving them.

Here, then, is at least an illustration of the proof:

For the July 9, 1921, issue of THE MAGAZINE OF WALL STREET, a member of the B. Y. F. I. staff got up an article on the subject, "How I Would Invest $500." As his introduction, the writer said:

"Mr. Five H. D. Man wants to invest that great, big, little sum where he will be as sure as a man can be of finding it when he wants it; and *at the same time* where it will reproduce itself at a rate most satisfactory to him. It is the purpose of this article to tell him exactly what the writer would do."

The first step suggested was the opening of a savings bank account with $100 of the $500. It was shown that the getting started phase was the most difficult phase of money making, and that opening a savings account was the safest, surest and best way of getting this start.

The next move was to allocate hundred-dollar bill number two in a guaranteed mortgage bond—available in such denominations, to yield from 5½ to as much as 7%.

It was then advised that the remaining $300 be invested in the seven securities listed in the accompanying table.

Studying the table as it stands, and remembering the safe places the first $200 went into, it develops that any small investor who followed the advice given has, today, a profit of $100 on securities that cost him $289 (this side of commissions) or well over 34% on his investment. This profit is the market profit—that is, the difference between the selling price of the securities recommended today as compared with their price eight months ago. No account is taken of dividends and interest since paid, although every one of the investments recommended is and has been income bearing.

Not Crowing

It is hoped that readers of this page will not see in the foregoing an indirect method of crowing and boasting over what events have proved was good advice to give. It is hoped that they will understand that the purpose of resurrecting the story is solely to prove that the little fellow *can* profit from security operations, and that there is nothing mysterious, super-scientific or unfathomable about the means at his disposal.

Nor is it desired to claim that, under all circumstances, all market commitments will prove as profitable as was this one. The securities were recommended at a time when everything in the way of a stock or bond could be had at starvation prices; all that has developed since has contributed to making the recommendations a success.

The illustration used will serve no good purpose if it is not considered solely as a good illustration of what the little fellow can do. If it is to be looked at as "one

(*Continued on page 872*)

The Golden Horde

A Solution of the Financial Misfortunes of a War-Ridden World—A Message to the Genoa Conference

By A. O. CORBIN

WEALTH! Money! Currency! Exchange!

Books galore on these subjects, but nobody reads them . . .

Writers on political economy have certainly understood the art of presenting the results of their researches in the driest and most uninteresting way. Their books invariably breathe the atmosphere of stuffy studies.

That is why the present financial troubles of the World, clear and logical in reality, are such a profound mystery to the man in the street.

Yet, when the World is passing through a period of financial and economic upheavals and agonies well nigh without precedent in the history of finance, every man and every woman should realize what is going on, and why things are as they are.

Having made up my mind to write an essay on the present Foreign Exchange situation understandable to everybody and entertaining at the same time, the difficulty I found myself confronted with, was to present it in the right and simple form. That form I think I have found.

There appeared in 1876 a book, long since forgotten, yet admirable in its far-sightedness and simplicity, entitled, "Robinson Crusoe's Money, or the Remarkable Financial Fortunes and Misfortunes of a Remote Island Community," by David A. Wells, of Norwich, Conn., late U. S. Special Commissioner of Revenue—a story of a community, which, starting from conditions but one step from barbarism, gradually rose to a high degree of civilization, experiencing the use and abuse of the instrumentalities and mechanism of exchange, through barter, money and currency.

No story on wealth, money, currency and exchange was ever written in so clear and entertaining a way.

There being, in my opinion, no better form to present my story, I will try to lead you once more to Robinson Crusoe's Island, and to show you this little community in its economic evolution, as David Wells saw it, in order that you may understand the most important question in the history of modern finance and economics, "The Golden Horde!" No man, woman, or even child, having read this short essay will fail to understand what is the matter with the World today, and what the solution is; all difficult problems are simple the moment we draw our diagnosis clearly and logically, and in simple every day language so that everyone can understand.

* * *

"I smiled at myself at the sight of all this money. 'Oh, money,' said I, 'what art thou good for? Thou art not worth to me, no, not the taking off the ground. One of these knives is worth all this heap.'"—Robinson Crusoe, by De Foe.

IT would be difficult to convey in so simple a manner so much information in regard to what is popularly known as "wealth," or so good a basis for analyzing clearly the origin and function of what we call "money."

Robinson Crusoe having been shipwrecked, a few days later found some chests washed ashore from the wreck.

One of them he opened. It contained pens, needles, thread, a pair of large scissors, a dozen good knives, some cloth, a dozen and a half linen handkerchiefs and three great bags of money, gold and silver.

All of these articles were of extreme use to him, except the money, compared to which under different conditions the other things would have had little or no value, but it demonstrated five things very clearly:

1. The pens, needles, thread, scissors, knives and cloth were of great *utility* to Robinson Crusoe.

2. Although possessing utility, they did not possess exchangeable *value*: there was nobody to exchange them with.

3. They had no *price,* for they had no purchasing power which could be expressed in money.

4. The money had neither *utility, value,* nor *price,* because it could not be used for anything, nor exchanged with anybody for anything.

5. As it was, pens, needles, etc., and not money were Robinson Crusoe's wealth, because they could be used to produce something.

Commodities and Services Acquire Value

Robinson Crusoe thrown upon the island all alone, and without any *wealth*—pens, needles, guns, etc.—although originally civilized, would inevitably have become a pure savage who could have barely provided for an existence.

But in a way fortune had smiled upon him, when it gave him a fair sized capital of useful things, followed by his being joined by Friday, and next, by Friday's father.

Constituting, however, but one family, the members of which worked and toiled together, sharing everything in common, the three as yet did not feel the need for money because there was no necessity for exchanging anything.

But gradually more people arrived upon the scene: first Will Atkins and the English sailors, and later on others, and again others, thus forming several families, and a new social order of things became imperative.

The actual tendency toward self-preservation and independence; the general desire to acquire things and to add to one's capital; the difference in taste and temperament all lead to this.

And so it came about—in order that the quantity of useful things for the community as a whole might be increased and their quality perfected—that instead of each person endeavoring to supply his own needs, it was deemed best for each man to supply one particular thing, and excel in the making of it, thus using his services or the products of his labor to exchange them against the services or products of other men in order to secure the other necessities of life.

And because commodities and services now for the first time became exchangeable, they also for the first time acquired value.

Barter as a Bar to Progress in Civilization and Social Development

One day Yarde, a tailor, who had just made a coat, found himself out of bread. Hungry as he was, he went to see Bakum the baker, saying to him: "take this coat and give me 100 loaves of bread in exchange!" But the baker said: "I don't need your coat and I won't trade. I require grain and flour, and will only exchange my bread against these commodities."

Yarde, much upset, decided to see another baker. On his way to him, he was stopped by Bricks, a mason, who was looking for a coat, saying: "give me that coat and I'll build you a chimney!" But Yarde had already two chimneys. At last, after much trouble and waste of time, Yarde found a baker who wanted a coat, and would give him 100 loaves of bread in exchange, whilst Bricks discovered a tailor who would give a coat for chimney.

Meanwhile Bakum had gone to Diggs, the farmer, to trade bread against grain and flour, but had found it impossible to get his grain because he had to agree to pay Diggs one loaf a day, the farmer refusing to eat stale bread for several months.

This situation was far from satisfactory; all of them realized, that there was something wrong with their living arrangements, and every one gave serious thought as to whether or not it would be more satisfactory for each man to once more look after his own requirements. Apart from the nuisance of having to search for someone who just happened to be ready to trade, one of the chief difficulties was how each of them could know what comparative value their different commodities had for the purpose of barter.

(*Continued on page* 882)

NOTE

Later parts of Mr. Corbin's unique study of the world's monetary system will appear in succeeding issues of the Magazine.

Public Utilities

Dividend Prospects Among the Public Utilities

Lower Operating Costs Will Permit Many Companies to Resume or Increase Payment of Dividends

By JAMES N. PAUL

AFTER practically four years in the background, dividend resumptions and increased payments by several of the large companies recently has brought into prominence the public utility stocks, with sharp advances in many of them. The most recent instance among the larger companies was that of Public Service Corporation of New Jersey, which two weeks ago increased quarterly dividend payment from 1% to 1½%, placing the common stock on a $6 annual basis.

The investor who has stood by and watched Market Street Railway prior preferred stock double in price since the first of the year can well afford to look about for purchases of stocks which have as yet only partially discounted better conditions. There can be no doubt but that utility stocks will again be regarded as high grade investments as they were in pre-war days. If we are in a bull market, the public utility stocks could very well be made the leaders of an upward movement. Following are some suggestions, together with analyses of several public utility companies, which appear to have good prospects:

MONTANA POWER CO.

The annual report of Montana Power Co. covering 1921 operations, published only recently, was the poorest since the organization of the company, nine years ago. It showed net earnings for the $49,663,000 common stock equal to $1.78 a share, compared with $5.27 in 1920.

The most recent favorable development in the company's affairs was the reopening of the copper mines in the Butte district. This factor is of far-reaching importance as the copper companies take almost half of the total power output. Company is almost exclusively a hydro-electric proposition and owns or controls many valuable water power sites in Montana. The slump in earnings in 1921 was directly the result of the closing down of the mines in April a year ago. Earnings for the first quarter of 1922 will probably be published late this month or early in May and should show considerable improvement over earnings of the previous quarter. While the consumption of power by the copper mines fell off last year, the company was able to do a larger volume of business with other consumers so that with copper companies again taking electric energy the current year should be a good one.

Present dividend rate on the common is $3 annually, the quarterly payment having been reduced from 1¼% to ¾ of 1% in 1920. At that time it was emphasized that any marked improvement in earnings would probably be followed by a restoration of the old rate.

The common stock has always had a high rating as a junior issue and in 1916 sold close to 115, when the rate was advanced to $5 annually.

Capitalization of Montana Power Co. is as follows: Funded debt, including that of subsidiaries, $32,443,100, preferred stock $9,671,800, and common stock $49,663,300, both par value $100.

Directors do not meet for consideration of dividends on common and preferred stocks until the latter part of May. There seems to be no reason to look for any revision of the rate upward so soon after the reopening of the copper mines but that dividend may go back at the old $5 rate before the end of 1922 seems possible.

LACLEDE GAS LIGHT CO.

Laclede Gas Light Co., operating in St. Louis, is one of the few large gas companies which so far has been rather unfortunate in the matter of securing a rate which would permit an adequate return upon its stocks. The dividend on the preferred stock has been earned and paid each year but in 1919 and 1920 earnings upon the common stock were neglible and in 1921 a deficit was shown.

Annual report for 1921 published recently showed that the company had a deficit of $328,945 after preferred dividends. That the company is on the way to better things is indicated by the fact that a deficit of $293,989 was piled up in the first quarter of 1921. In the final three months a balance after preferred dividends of $10,237 was shown. The reversal can be attributed to rate advance granted in April, 1921, together with better control of operating costs during the latter months of the year. Trend of earnings last year is shown by the following table. It is only logical to expect that improvement will continue into this year and that the company is now earning something on its common stock. Table follows:

1921 Deficit After Pfd. Dividends	
First quarter	$293,989
Second quarter	40,376
Third quarter	4,817
Fourth quarter	*10,237

*Surplus.

Missouri Public Service Commission last April granted an increase of fifteen cents a thousand feet for gas furnished, placing rates on a sliding scale from 85 cents to $1.15 a thousand. Last January application was made for permission to advance rates for electricity by 10% and to reduce the heat unit of the gas. Reduction of heat unit should result in lower operating costs. Application is still pending before the Commission but a decision is looked for at any time.

Capitalization of Laclede Gas Light Co. as of December 31, 1921, was as follows: Funded debt $26,000,000, $2,500,000 preferred stock and $10,700,000 common stock, both par value $100.

Laclede Gas common stock until a few years ago enjoyed a good reputation marketwise and is again coming into favor. Common stock from 1910 to 1919 was on a $7 annual dividend basis, the usual quarterly payment of $1.75 being omitted in January of that year. An extra cash disbursement of $10 was paid in 1917. Up to and including 1917 earnings on the common stock were stabilized ranging around $9 a share. The stock has recently been fairly active with other gas issues and advanced above 64. In pre-war days the common stock rarely sold below par. **With better earnings it is possible that later in the year payments on the common will be resumed. Action of the stock would seem to indicate that good buying is taking place on recessions.**

COLUMBIA GAS & ELECTRIC

Columbia Gas & Electric Co. capital stock appears to be in line for better things. An increase in the present dividend rate of $6 annually has been rumored recently but best opinion is that this will not materialize until later in the year, if it does then. The annual report for 1921, published in March, showed that during a period of drastic business depression in that year, company was able to show largest gross earnings on record. Net earnings available for dividends in 1921 amounted to $8.60 a share on the $50,000,000 capital stock, compared with $9.68 a share in 1920.

Earnings so far this year are reported in excess of the average rate maintained throughout 1921, and while it is as yet too early to estimate accurately what it can do this year, the company could easily show between $10 and $12 a share.

Last November the company secured an advance in rates which are to continue in effect for three years. An advance in rates for natural gas was authorized from 35 to 50 cents a thousand cubic feet. The effect of this rate advance will be seen in 1922 earnings.

While the stock has already had considerable advance in price based on cur-

(Continued on page 867)

P. R. T. to Pay 6% This Year

Stock to Be Placed on 6% Dividend Basis—New Agreement with Employees Ensures Profitable Operation and a Satisfactory Return to Investors

By WILLIAM A. McGARRY

DEVELOPMENTS of the last few weeks in a battle that had been raging for two years for control of the Philadelphia Rapid Transit Company indicate that the small investor, whose savings floated that corporation twenty years ago, is coming at last into his own. The stock has been steadily appreciating in price and property value until the quotation of 30 at this writing is sixteen points above the low mark touched at the beginning of the general deflation period late in 1920. Its value as an investment, however, lies less in its actual holdings of tangible assets than in the tremendous earnings made possible by a guarantee that is without parallel in public utility or industrial history.

Ten thousand employees of the company—motormen, conductors, shop and yard men and office workers—are back of the guarantee. In close co-operation with the management they are pledged to reduce operating expenses by $1,500,000 during 1922. In return for that achievement they have been promised a "co-operative bonus dividend" not to exceed ten per cent of the payroll. When that promise was made, early in the year, the management estimated that the company could show net earnings of three million dollars for 1922, enough to provide a six per cent dividend on the thirty million dollars of common stock, leaving more than a million dollars which must be put back into the property because of the existing credit conditions. Reports of operations for the first two months of the year, however, indicate that if the existing rate of fare is continued the estimate is extremely conservative. The net income for the two months ended February 28 was $350,876.49. These two months are always below the average for the year.

THOMAS E. MITTEN
who has injected a novel element into the Philadelphia traction situation

The bonus dividend alone is enough to assure continued and unusual personal interest in the operation of the company by each employee. But as an evidence of their faith in the management of Thomas E. Mitten the employees have purchased out of the funds of their Co-operative Welfare Association a block of ten thousand shares of P. R. T. stock. In addition, they hold as individuals more than 20,000 shares. Not only is every employee a stockholder, but as a group the employees represent the largest single element of voting power, and all of their strength has been pledged to co-operation with the existing management. The saving and earning power of these ten thousand men is beyond computation. It should be stated that their bonus dividend is payable only after a dividend of six per cent has been paid to stockholders.

Investment Possibilities

Investment possibilities of the stock are perhaps best illustrated by the purchase made by the employees. The par is $50. The men bought at $24. If the six per cent dividend is paid they will have earned twelve per cent on the $240,000 invested. P. R. T. is limited to a six per cent dividend under its contract of 1907 with the City of Philadelphia, but according to the construction put on this limitation by attorneys for the corporation it cannot operate until some twenty million dollars in back dividends have been paid. The men stand to gain also by a favorable decision on valuation of the corporation, now before the State Public Service Commission, and by completion of negotiations for the operation by the company of the city built Frankford elevated railway. At the present time the Philadelphia City Council is almost solidly in favor of accepting the company's terms for the operation of that line. The Mayor is opposing and insisting on better terms, but there is little question that he will be over-ruled. If either of these questions is settled in favor of the company the stock is virtually certain to reflect the favorable development.

The valuation figure presented by P. R. T. is approximately three hundred million dollars. It is more than sufficient to justify the maintenance of the present fare rate of seven cents cash, four tickets for a quarter. All the testimony of P. R. T. in support of the valuation has been given, and within a short time the commission is to begin the hearing of testimony by the city. The fact cannot be overlooked that the future of this investment depends to a great extent on the valuation. It is hardly likely that in any event the final decision of the Commission can be made for many months.

PHILADELPHIA RAPID TRANSIT COMPANY

INCOME ACCOUNT

For the Years Ended December 31, 1921 and 1920

	1921	1920
Gross Passenger Earnings	$41,514,830.38	$37,989,623.31
Other Operating Revenue	905,775.11	817,731.06
Railway Operating Revenue	$42,420,605.49	$38,807,354.37
Way and Structures and Equipment—Maintenance, Renewals and Depreciation	$8,136,800.00	$5,595,600.46
Power—Maintenance, Renewals and Depreciation and Operation	3,675,788.05	3,728,027.08
Conducting Transportation	13,330,470.89	13,748,926.34
General	3,291,709.74	3,521,358.96
Taxes, Including Paving Tax	2,798,820.66	2,601,252.97
	$31,233,589.34	$29,195,165.81
Operating Income	$11,187,016.15	$9,612,188.56
Non-Operating Income	490,434.89	592,986.68
	$11,677,451.04	$10,205,175.24
Interest	$1,029,245.14	$976,462.70
Rentals	8,720,913.31	8,726,647.31
Sinking Fund—City Contract	120,000.00	120,000.00
	$9,870,158.45	$9,823,110.01
Net Income	$1,807,292.59	$382,065.23

Demonstration of Earning Power

The position of the Philadelphia Rapid Transit Company is of particular interest at this time when similar utilities elsewhere seem to be getting deeper and deeper into the financial mire. It is of interest also in view of the fact that it is a lease holding company, and not the original owner of the lines it operates. Nowhere has the vast earning power of a public utility, properly managed, been better demonstrated. The company was formed in 1902 after the series of historic traction mergers in which many large American fortunes were founded. It operates the lines of twenty-nine different corporations, of which four were primarily leasing companies. P. R. T. was the first of the mergers in which the general public was permitted to invest to any extent. It soon became apparent that the purpose of this was to let the small investor "hold the bag."

That is exactly what the stockholders of P. R. T. did for the first ten-year period. During that time the corporation never earned a dividend. It got into financial difficulties in 1907 after $18,000,000 had been paid in of its $30,000,000 of capital stock. Stockholders paid in the remaining $12,000,000 by September of 1908, and in 1907 a contract was made with the city to save the company from bankruptcy. Under this contract a sinking fund was established that will provide funds for the city to buy up the system in fifty years. In return the city waived certain street paving charges borne previously by the corporation under the original franchises, and also the car taxes. The city also lent its credit in raising funds.

A start was made toward rehabilitation, but it was a poor one. Things went from bad to worse until the strike of 1910, when the company again found itself on the verge of bankruptcy. E. T. Stotesbury, head of the banking firm of Drexel and Company and member of the firm of Morgan and company, was induced to take over the financial management. He did so with the understanding that he could bring in Thomas E. Mitten from his successful reorganization of the Chicago traction lines. A ten-million dollar bond issue was arranged, carrying the guarantee of Union Traction. It supplied funds for the purchase of new cars and other badly needed equipment. In passing it is worthy of mention that in return from its guarantee of the bond issue, Union Traction—the largest of the underlying lease holding companies, and the one that had attempted the operation of the lines prior to the formation of P. R. T. —exacted total equities of $14,623,824 that had been built up by P. R. T. The latter company, as has been stated, started with nothing but a lease. By 1910 its stock holdings in the Market Street Elevated Passenger Railway, the Doylestown and Willow Grove Railway, the Darby and Yeadon Street Railway and the Snyder Avenue Passenger Railway totaled $3,445,000. All of this was assigned to Union Traction along with $8,178,824 represented by due bills for advances; and $3,000,000 in the form of claims for future advances.

PHILADELPHIA RAPID TRANSIT COMPANY

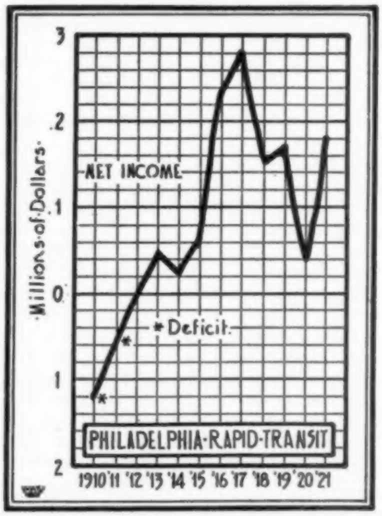
BALANCE SHEET

December 31, 1921

ASSETS		
Road and Equipment Expenditures for Leased Lines, Real Estate, Sinking Funds, Etc.		$52,561,880.01
Reserve Funds for Renewals:		
Cash	$1,250,000.00	
Securities	421,679.11	
		1,671,679.11
Cash		756,866.23
Material and Supplies, Accounts Receivable, Etc.		2,145,728.05
Deferred Assets and Unadjusted Debits		2,400,819.75
		$59,536,973.15
LIABILITIES		
Capital Stock, Authorized $30,000,000	Paid in	$29,991,660.00
Funded Debt		16,432,000.00
Audited Accounts, and Other Current Liabilities		751,571.43
Accrued Rentals, Interest and Taxes		3,077,236.99
Reserve Accounts:		
Renewal and Depreciation		2,258,555.28
Accident		566,095.37
Other Reserves		110,873.29
Surplus		5,748,980.84
		$59,536,973.15

Reduction of Deficit

In 1910, the year of the strike, the P. R. T. operating deficit was $1,222,735.98. In 1911, when Mr. Mitten assumed control, the deficit was reduced to $560,707.98. The company has shown a profit in every year since then. It paid six percent dividends during the years 1916 to 1919, inclusive, for a total return to stockholders of $5,846,513.50, and in the annual report for 1921 it shows a total undistributed surplus of $5,748,980 which represents new equities



built up by putting that sum back into the company in the form of improvements. The latter sum is not the full measure of P. R. T.'s growth, however. In 1920, when general deflation set in and the company was facing serious financial difficulty, an effort was made to get the guarantee of Union Traction for a six million dollar car trust certificate issue. As consideration for its guarantee Union Traction demanded ownership and equities of P. R. T. in cars, real estate, and stocks and bonds which it was shown had reached a total value of $7,996,850. It also demanded that P. R. T. agree to transfer to Union Traction all real estate and securities acquired after that date. The negotiation fell through, of course, P. R. T. refusing to assent.

It was after the failure of that deal that the company turned to the Public Service Commission for aid. Under the contract of 1907 the City of Philadelphia must be consulted on any increase in fare and certain other matters. Mitten first appealed to the city, but could not get action. Then he went to the Commission with a new tariff that would have eliminated three cent exchanges. When nothing happened for some months and financial conditions of the company were becoming perilous, Mitten made a new proposal to eliminate also the free transfer. Still the Commission delayed, and then the management appealed to the public to demonstrate its support by refusing to buy exchanges or to ask for transfers. More than two million car riders co-operated during one month. Then that move was blocked by the Public Service Commission, which ordered the present fare rate of seven cents cash, four tickets for a quarter.

Continuance of the fare depends on the valuation of P. R. T. finally approved. But in that connection there is strong possibility that the earning power of P. R. T. stock may be enhanced eventually even by a reduction of its valuation of figures. A determined fight is under way by the city and by business men's organizations to force a rearrangement of rentals paid to the underlying companies, which run from eight to seventy percent of the actual paid in capital of those companies. Deflation of valuation with consequent reduction of the fare rate cannot be borne wholly by P. R. T. While the higher courts have held the contracts of the underlying companies valid, unquestionably a method will be found to make these underlying companies share in any reduction of revenue.

The annual burden of payments to these companies carried by P. R. T. is nearly $10,000,000. It is specifically $7,368,396.38 in rentals and dividends, and $2,381,762.07 in interest charges. The

(*Continued on page* 870)

Petroleum

Royal Dutch Company

A Gigantic Oil Enterprise

Together with the Standard Oil, Royal Dutch Controls a Good Share of the World's Oil Supplies—Growing Interest in American Oil Properties as Evidenced by Shell-Union Combine

By **E. R. LEDERER**

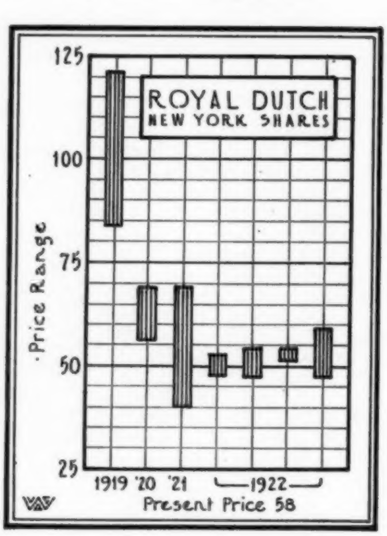
THE largest and most important merger in the oil world during the last years was realized on February 8, 1922, when the Shell-Union Oil Corporation was incorporated under the laws of Delaware. The formation of this giant combination has been awaited by financial circles and oilmen with the greatest interest. It is also of the utmost importance from an economical and political point of view.

The new corporation now becomes a member company of the mighty Royal Dutch-Shell combine, which is a world-organization comparable and equal to the Standard Oil Company with all its subsidiaries and affiliated companies. Both cover the entire civilized world by the magnitude of their operations; and the parallelism in their policy of expansion is remarkable. While the Standard Oil Company is reaching out from their headquarters in New York to obtain oil concessions in Europe, the Near and Far East, the officials of the Royal Dutch in the Hague are acquiring important oil properties in the Western Hemisphere and strengthening their hold on the American oil industry.

We cannot understand the importance of this last merger without glancing back to the history of the mother concern.

Royal Dutch History

The Royal Dutch Company was formed 30 years ago, with a capital of 1,300,000 florins, equal to $522,600, as a Dutch producing company to exploit the petroliferous districts in the Dutch East Indies. From a mere local enterprise, it came into international importance when it became affiliated in 1902 with the Shell Transport



and Trading Company of London and the Rothschild petroleum interests in Paris.

The Shell at that time imported practically all the illuminating oils into India, China, and Japan, while the Rothschilds controlled the oil industry in Russia. These three groups organized the Asiatic Petroleum Company as a distributing agency for their products. In 1907 the Dutch and English interests were merged, and two new companies formed: The Bataafsche Petroleum Company of Holland, with a capital of 140.000,000 florins, and the Anglo-Saxon Petroleum Company of England, capital 8,000,000 pounds. The Royal Dutch became a holding company owning 60% of the stock of these two new companies, and 12½% of the outstanding Shell ordinary stock, while the Shell company holds 40% of the new stock.

In 1919 the new combine acquired from the Pearsons in London 2,500,000 shares of the Mexican Eagle Oil Company, one of the oldest and strongest operators in the Mexican oil fields, with some of the best concessions and oil reserves, covering about 700 square miles. Their producing capacity, 300 miles of pipeline system, refining and loading equipment and their fleet of tankers, rank among the best operated and managed enterprises in that country.

Large Foreign Possessions

The Royal Dutch Shell have at present large foreign possessions in the Dutch Indies, Roumania, Russia, Egypt, Mesopotamia, Ceram, Serawak (Indies) Mexico, Venezuela and Colombia. The production of crude oil in these foreign countries during 1921 was nearly 25 million barrels. They operate refineries in Sumatra, Borneo and Java, Serawak and Suez (Egypt), in the Russian and Roumanian oil fields, a 7,500 barrel plant in Curacao, near the Panama Canal, and a 1,500 barrel plant in San Lorenzo (Venezuela).

In Tampico, the Mexican subsidiary "La Corona" has a 15,000 barrel topping plant in operation, three to four million barrels steel storage and an extended pipe line system from the Panuco and Southern fields. Through the control over the three refineries of the Mexican Eagle, their total refining capacity in Mexico alone reaches well over 150,000 barrels per day, and a steel storage capacity of nearly ten million barrels.

The Mexican Eagle has always maintained the second or third place among the oil exporting companies in Mexico. The combined exports from Mexico during 1921 reached 34 million barrels.

It is only obvious that with such excellent producing and refining properties in every developed oil field of the world, the marketing business of the combined companies covers the world market. Their tanker fleet has a carrying capacity of about 650,000 tons and new tankers are being put into service frequently. With the control of the Eagle Oil Transport Company's fleet, the total carrying capacity must be over 1,000,000 tons.

About 60 fuel bunkering stations are located in all the important parts of the

COMPANIES OWNED OR CONTROLLED BY UNION OIL OF DELAWARE

Company	Shares issued	Par	Union Oil Co.'s interest: Shares	Union Oil Co.'s interest: Percent of total issued
Commonwealth Petroleum Company	300,000	No	299,079	99.69%
Western Union Oil Co.	9,999	100.00	9,999	100%
United Western Consolidated Oil Co.	679,920	5.00	678,656	97.24%
The Dunlap Oil Co.	200,000	1.00	200,000	100%
Eddystone Oil Corp.	50,000	10.00	50,000	100%
Columbia Oil Producing Co.	3,418,891	1.00	3,415,638	99.9%
Puente Oil Company	2,500	100.00	2,500	100%
Central Petroleum Co.—				
Common	180,000	5.00	122,603	68.11%
Preferred	60,000	100.00	To be acquired at par, Apr. 30, 1923.	
Volverine Oil Co.	56,927	25.00	56,927	100%
Sagamore Oil & Gas Co.	2,641	100.00	2,631	99.62%
The Wigwam Oil Co.	120,000	1.00	118,117	98.43%
AFFILIATED				
Union of California	500,000	100.00	130,869	26.17%
National Exploration Co.	600,000	5.00	160,000	26.66%

world's maritime routes, which embraces the largest seaports known to commerce.

American Properties

The Dutch-Shell combine soon recognized the world domineering importance of the American oil fields, and acquired and developed gradually considerable production in our best oil fields, and considerable refining capacity.

Through the Roxana Petroleum Corporation they control in the Mid-continent field over 37,000 acres, in Texas 60,000 acres, 25,000 acres in Louisiana, 6,000 acres in Kansas, besides other large holdings in Kentucky, Wyoming and Colorado. The production from these holdings was 3,627,000 barrels in 1920 and increased considerably during 1921.

The tankfarms in the Cushing and Healdton District hold over 2,000,000 barrels oil in storage. The Ozark Pipeline system extends over 550 miles and carries the crude to the large refinery in South Wood River, near St. Louis. This ten inch line can transport 24,000 barrels of crude a day and handles besides the company's production, also considerable oil from other producers. The Wood River refinery, which was partly moved from the old refinery in Cushing, began operations in September, 1920, and has a daily capacity of 20,000 barrels. It represents a very modern, well equipped layout; a fleet of 900 tank cars moves the finished products to the market.

An absorption plant at Drumright, Oklahoma and compression plants in Yale and Covington produce sufficient "natural-gas"-gasoline for blending purposes.

In Good Hope, Louisiana, the New Orleans Refining Company, another subsidiary, operates a 15,000-barrel modern topping and asphalt plant in connection with a large terminal; imported Mexican crude is treated here principally. This subsidiary, however, was not taken into the Shell-Union merger.

In California the Shell Company has operated since 1912. The Shell controls around 20,000 acres of leases with a daily production close to 20,000 barrels. The Valley Pipeline system, with 170 miles of ten-inch and eight-inch pipe, carries 25,000 barrels of crude per day to the refineries in Coalinga and Martinez. The storage capacity for crude and finished products is more than five million barrels. The Martinez plant is a complete modern refinery, with pressure stills, and capable of charging 30,000 barrels a day; the Coalinga plant is an older 2,000-barrel skimming plant. An extensive marketing business covers the Pacific Coast and the export to the Orient.

The most important of the subsidiaries of the Royal Dutch operated in the United States with their capitalization, as follows:

Shell Co. of California	$110,000,000
Roxana Petroleum Co.	45,000,000
Ozark Pipeline Co. of Maryland	30,000,000
New Orleans Refining Co.	5,000,000
*Matador Petroleum Co.	1,000,000

*Operating in Wyoming.

A TYPICAL OIL TANK FARM

A group of 55,000 barrel steel tanks of the Roxana Petroleum Corporation, used at oil pipe line terminals to provide necessary storage

Financial Position

The Royal Dutch Co. has no funded debt.

The shares are subdivided as follows:

The par value of all classes of shares is 1,000 florins, or $402 per share; the full ordinary shares are split into ten subshares of 100 florins ($40.20) each.

	Authorized Florins	Authorized Dollars	Outstanding Florins	Outstanding Dollars
Priority shares, 4½% cum	28,500,000	11,457,000	All outstanding.	
Preferred shares, 4%	1,500,000	603,000	"	"
Ordinary shares	570,000,000	229,144,843	320,727,000	128,933,254

For trading in America, "American shares" were issued with no par value, on basis of three for one sub-share of 100 florins; under agreement of December, 1916, "New York" shares were issued, share for share in exchange for "American" shares. Stock dividends and subscription rights have increased the number of outstanding American shares to more than 500,000. The par value of these shares is at present one-third of 100 florins, or $13.40. At present New York shares are sold around 60.

In January, 1921, the Royal Dutch paid a 15% interim dividend and a final dividend of 25%. On February 16, 1921, dividend payments amounted to $1.65 on New York shares, and in July, 1921, to $2.716 per New York share.

For 1921 the priority shares will receive their 4½%, the preference shares a 4% dividend. On ordinary shares a 15% interim dividend was paid in cash during January. So far no decision was made on further dividend payments; however, from the strong position of the company an additional dividend payment can be expected by the ordinary shareholders.

The cash position of the company was always very strong; in December, 1921, there were 72 million dollars in the treasury, and the oil in transit represented a value of 54 million dollars. One of the strongest points in the acquisition of valuable oil lands and foreign concessions is the ability of a big concern to make immediate cash payments or a loan to foreign governments. The favorable cash position of the Royal Dutch has enabled them to take full advantage of such opportunities.

DIVIDENDS PAID SINCE 1915 BY ROYAL DUTCH

	1915	1916	1917	1918	1919	1920	1921
Priority	4½%	4½%	4½%	4½%	4½%	4½%	4½%
Preference	4 %	4 %	4 %	4 %	4 %	4 %	4 %
Ordinary	49 %	38 %	48 %	40 %	45 %	40 %	40 %
				Also 50% stock dividend	Also 25% stock dividend	Also 50% subscription rights in par	

Union of Delaware

Analyzing the value of the Union's assets we can fully appreciate the advantage and additional strength this merger had for the Royal Dutch. The Union's production will make a substantial contribution to the total production of which 50% comes from the best part of the Mid-Continent field. It will help to keep the pipelines and refineries of the concern operating at full capacity in this field as well as in California.

The Union brings into the new combine over 10,000 barrels daily crude production, and 20,000 gallons of gasoline from its gasoline plants, and through ownership of about 27% of stock in Union of California the control of 4% in the total of California's production. Organized in 1919 with five million shares, no par value, the Union has no funded debts and at the time of the merger 1,389,288 shares outstanding, representing about 46½ million dollars. In the comparatively short time of operation, the Union had expanded rapidly and acquired control in some very good producing companies. The Union controlled and brought into the merger 65,059 acres of the Commonwealth Petroleum Corp., of which over 11,000 acres are in California, 28,465 in Wyoming and Texas, 23,000 in West Virginia; besides this, control of some smaller drilling and operating oil and gas companies in California; through ownership of the Columbia Oil Producing Co. 105 producing wells in Southern California, producing about two million barrels of oil per year. The Union also acquired

(Continued on page 872)

Mining

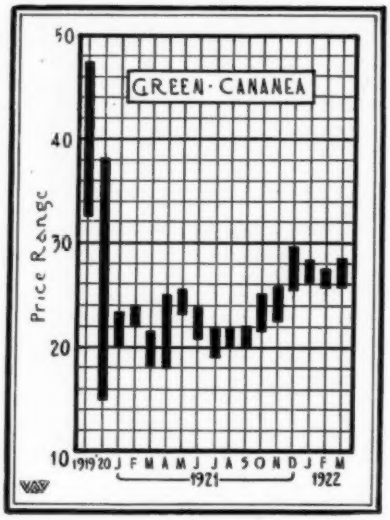
Greene-Cananea Copper Co.

Quietly Preparing for Future Activity

Greene-Cananea Destined to Stage a Swift Come-Back When the Scenery Is Properly Set

***By* C. S. HARTLEIGH**

THE average speculator in securities, who gives little thought to fundamental influences, but who is quick to observe sharp movements in security prices after they have taken place—who, in other words, can discourse at length, and convincingly, with regard to the excellence of his "hind sight"—is often asked by a friend with less self-assurance, what he thinks of a certain security. Often the reply is something like this: "Not a good stock to hold because it has too thin a market. The turnover is only 100 or 200 shares a day, and sometimes it is dead for several days at a time. Better get into an issue that is active every fifteen minutes throughout the day, and in which the turnover is 10,000 shares or more per day." In making this reply with reference to a security that is fundamentally sound but temporarily inactive, the advisor is confusing individual operations with pool operations. The buyer of small lots of good securities for the long-pull cares little about the thinness of the market, for he can buy at a designated price, and with a little patience can usually buy at his price, and his commitment will not cause the slightest flurry in the market. On the other hand, it is quite apparent that buying orders "at the market" from a hundred or more people at the same time would surely run up the price of the stock on themselves, and would find themselves left high and dry on the top of a rally of their own making, and might have to carry their stock some time before it finally gravitated to the level at which they purchased it.



The Possible Reward

Again, the reply may be like this: "The issue is too sluggish, it never moves, you may be tied up a long time, get into something with more pep." This reply sounds wise enough, but it overlooks the possibility that the issue in question may be only temporarily "of a retiring disposition," for the very good reason that it is under quiet but steady accumulation, and that it may be accumulating "pep" about as unostentatiously as a neglected steam boiler, with a monkey wrench on the safety valve, is accumulating steam pressure. We might even imagine the pressure gauge on the steam boiler to be out of order, so that it does not indicate the real pressure, or the gauge may be located in a dark corner where the average visitor to the boiler room does not observe it. Some day something is going to happen, and the accumulated pressure will assert itself.

If you know of a perfectly good and sound security that is now in a comatose condition, and you will give it care and attention now, you will find that it has a grateful disposition, and that it will eventually be very kind to its friends who were thoughtful of it when it lay flat on its back. Being "sewed up" for a time in a temporarily sluggish security, may often carry with it ample compensation, when what is behind that security has recovered the full use of its faculties. There are many such securities in the stock market "sanitarium" at this time, and it may be that a stock like Greene-Cananea is one of them.

Properties

The company owns 34,738 acres of mineral land, and about 322,000 acres of surface land under title from the Mexican Government, at Cananea, Sonora, Mexico. Under normal conditions, Cananea is a

(*Continued on page* 868)

Photo by Brown Bros.

THE GREEN CANANEA COPPER COMPANY

Operating extensive copper mines in the rich Cananea district of Sonora, Mexico, this company is ranked as one of the big producers when running at capacity in a normal copper market. It is now setting its house in order preparatory to resuming its former industrial position

Inquiries On Mining Securities

Inquiries on Other Securities Will Be Found in Their Respective Departments

KENNECOTT COPPER
Attractive for Long Pull

I have been hung up in Kennecott Copper stock, having purchased two hundred shares at high prices in 1919. Would appreciate your opinion as to whether it would be advisable to average at present price, so that I would have a better chance of getting out even. Would be willing to carry the stock along for another year without dividends if the ultimate result will be in my favor.—R. F. D., White Plains, N. Y.

Although Kennecott greatly curtailed its operations in 1921 it is estimated that its income from dividends on Utah Copper stock and operations of its Alaska properties enabled it to earn its fixed charges in 1921 with a little to spare. This is a good showing in view of the fact that nearly all copper companies showed large deficits.

Kennecott is one of the lowest cost producers as even under present conditions it can get costs under 10 cents a pound. It owns 616,504 shares out of a total issue of 1,624,490 shares of the Utah Copper Co. Also controls through stock ownership the Braden Copper Mines Co. which has 176,640,000 tons of 2.45% copper ore in its properties in Chili.

Capitalization consists of $15,000,000 7% bonds and 2,787,081 shares of stock of no par value. This is a good deal of stock but the companies' properties are of great value and production in years to come can undoubtedly be greatly increased especially from the South American holdings. In view of the improved outlook for the copper industry we believe that you could average to advantage at present levels.

McINTYRE PORCUPINE
New Strike Reported

The purchase of McIntyre Porcupine Mining stock has been suggested to me. I would be pleased to have your opinion as to such a purchase, not to hold indefinitely, but to sell on any substantial rise.—M. E., Syracuse, N. Y.

McIntyre Porcupine Mines Ltd. has outstanding capital stock of $3,640,283, $5 par value. The company has very valuable properties. The ore reserves without further development are sufficient to keep the mill operating for over five years. The Blue Diamond Coal Co. Ltd., half of which is owned by the McIntyre Porcupine Mines Ltd., owns coal lands estimated to contain 6,000,000 tons of coal. It also has an option on the Canadian Coal Fields Ltd. good for 15 years and a minor interest in the Plenaurum Mines Ltd. and the Northern Explosive Ltd. Since commencement of operations in 1912 the company has constantly increased production and earnings, net profits for 12 months ended June 30, 1921, amounting to $815,530 and balance sheet, as of that date, showed a net working capital of around $550,000. Dividends are on basis of 75c. a share.

While undoubtedly this company has very valuable properties, around the present selling price, 20, the stock would not seem to offer any especially attractive speculative opportunities, although recent report that the company has struck the Hollinger gold vein may result in higher price due to speculation as to value of the strike.

COPPER RANGE
Safe Paying Producer

I am one of those who believe that in the next year or two prosperity is going to return to the copper industry, and contemplate adding further to my holdings in this class of stock. I prefer stocks that are paying something at the present time, and already hold Utah and Miami. I notice that the Copper Range Co. recently declared a dividend, and would like a few facts in regard to this company and whether you regard the stock favorably at present prices?—R. G., Lynn, Mass.

Copper Range Co. is the second largest producer of copper in the Lake Superior District, including one-half the output of the Champion Copper Co. in which it owns a half interest, the other half belonging to the St. Mary's Mineral Land Co. It also controls through stock ownership the Copper Range Railroad operating 162 miles of line. The properties controlled have a production of over 30,000,000 pounds of copper annually. In the Lake copper district large ore reserves cannot be blocked out but mines in that district are very long lived and there is little question but that Copper Range has many years of good production ahead of it.

It is a low cost producer and under present conditions it is understood that costs are somewhat under 11 cents so that even with 13-cent copper a profit can be made. Capitalization consists of 394,000 shares of stock of a par value of $25. There is no funded debt. A dividend of $1 a share was paid March 1, 1922, the previous dividend was 50 cents on Sept. 15, 1920. In the boom years 1916 and 1917, $10 a share was paid each year. The company is in very strong financial condition with net quick assets of over $5,000,000, of which 70% is in cash and negotiable securities.

At present price of 41 the stock is up 14 points from a low of 27 in 1921. This advance has of course already discounted to a certain extent improved conditions, but if present indications of further prosperity in the copper industry are borne out we should say that the stock has good prospects of appreciating further in value if held for the long pull. In 1919 it sold up to 62.

BUTTE & SUPERIOR
Litigation With Mineral Separation

I hold a few shares of Butte & Superior stock purchased at 19⅜. Will you kindly let me know your opinion of the stock?—W. S. A., Joliet, Ill.

Owing to its litigation with the Mineral Separation Co., Butte & Superior stock is in a very speculative position. Undoubtedly the outlook for all mining companies is much more favorable than it has been for several years, in view of which it is reasonable to anticipate that these improved conditions will be reflected in still higher prices for the stock. On the other hand, in the event of an adverse decision, the stock is in position to have a decline. There is no prospect for dividends until the case above referred to is decided, because all revenues are impounded awaiting decision under the court order. In our opinion, a more stable speculation would be the stock of the Miami Copper Co., selling around 26½ and paying dividends at the rate of $2 per annum. This is one of the low cost copper producers and the more favorable position of the industry, in our opinion, should be reflected by a higher range of value for the stock. On the other hand, if the courts decide in favor of Butte & Superior, that stock will probably have a much larger advance than the Miami Copper shares. It is for you to decide whether you wish to take the speculative risk and await the court's decision; otherwise, we would recommend a switch into Miami Copper.

INTERNATIONAL NICKEL
A Switch Suggested

I am an old subscriber to THE MAGAZINE OF WALL STREET, *and would like your advice in regard to 10 shares of International Nickel for which I paid 23½. It looks as though it will be a long time before it will pay a dividend. Can you suggest a switch into some good stock that will appreciate in value with good possibilities of paying dividends?—B. A., New York City.*

While we think well of Intl. Nickel com. for the long pull, still there is quite an excess of nickel still on hand and it looks like a rather long wait. Would be inclined to advise a switch into Tennessee Copper selling around 11. The latter company is in strong financial condition with a working capital of $3,000,000, and has favorable sulphuric acid contracts. With the outlook for improved earnings, the present price appears to be relatively cheap and we believe it will do better in the near future.

MOTHER LODE
Low Cost Producer

What is the difference between the stocks of the Mother Lode Coalition and Mother Lode Mine Co.? What do you think of the stock as a mining speculation?

Mother Lode Coalition Mine Co. selling around 7¾ owns a majority of the stock of the Mother Lode Mine Co., Kennecott Copper owns 50% of the Mother Lode Coalition Mine Co. Those two stocks naturally move together and there is not a very great deal of difference which one you purchase. Development work on the property has recently been favorable and it is estimated that the output in 1922 may reach 50,000,000 pounds of copper.

Mother Lode is perhaps the lowest cost producer of copper in the World, the reason being that it is working on very high grade ore. Of course this very high grade ore may not last a great while but experts are of the opinion that there is a considerable amount left and when the high grade ore is exhausted there will remain very large quantities of lower grade ore that can be mined at a profit.

Intimate Talks With Readers

The Uses of "Open Orders"—A Difficult Question to Answer—Selling Stocks Because They Look High

The Open Order

THE "open order" is an essential piece of the mechanism of Wall Street which has its uses. In the main, however, familiarity with the type of open orders usually placed on brokers' books shows that this convenient piece of machinery is subject to considerable abuse.

It is a pity that Wall Street phrases are not standardized. Three terms are used in this connection, which leads to confusion. The most common is the symbol "G. T. C."—meaning "good till cancelled" or "good till countermanded." The brokers themselves speak of their "open orders" when they mean the same thing.

The uses are about as follows, and all contemplate *future action:*

1. To buy a security lower than the prevailing market price.

2. To sell a security higher than prevailing market price.

Variations of these two objectives are used in connection with speculation rather than investment about as follows:

A. To place a stop order on securities; that is to say, to sell out if a certain degree of decline is shown.

B. To place a stop order on securities sold for short account; that is to say, to buy in if a certain advance occurs.

The mechanism of A and B is not complicated, but rather loose terms are employed at times that do not indicate their use or character. A stop order is merely an advance order to buy or sell at a certain price. A stop loss order is the same thing with this difference—it is used to prevent a loss, or minimize it. When a profit already exists, and a stop order is used to conserve profits, the "order" is just that and nothing more. It is certainly not a "stop loss order."

Every kind of order, not for immediate execution is an "open order." More attention to them, a study of their functions, and understanding of their proper employment would do much to help the investor and speculator alike.

We propose dealing with the subject rather intimately and fully. The main rules are worth mastering—they may make or save large sums for those who understand them.

The first rule and the golden rule on the subject is:

If it is a written order keep a copy of it. Refer to it occasionally. Revise or correct your judgment or decision if a fundamental or technical change occurs.

If the order is verbal, let your broker confirm it in writing, and remind you of its existence twice monthly.

Let there be no misunderstanding of what you wish your broker to do about it. You and your broker are bound by its terms. He must make good and indemnify you to the limit, and his responsibility on open orders is serious. Be fair to him and avoid argument later. Do not put in unreasonable orders. We have discussed over some of these recently, and they stamp the customer with the indelible brand of "novice." Here are some specimens: Sell 100 General Motors common at 42½. Buy 50 U. S. Steel at 42⅜. Sell 100 Houston Oil at 150. Cover 50 Corn Products at 50.

What is the idea? One may well ask the question. Such customers are either unreasonable or foolish. Perhaps they are ignorant. A common idea is that "They" can either take it or leave it at the owner's valuation, or it can go as high or as low as it likes. Orders of this kind, and that type of mental attitude may show excellent determination, hopeful optimism, or pessimism of a rather fantastic order—but they will not make money for those who signed them.

The investor is not expected to keep in touch with daily or weekly fluctuations. It might do little harm to ignore the monthly fluctuations in stocks on the order of American Telephone, Canadian Pacific or U. S. Steel. But, long range hopes of advances from 10 to 42½ in G. Mo. or a decline in Steel from 97 to 42⅜ is essentially guesswork—outside the realm of investment, speculation, or even amusement.

How High Can They Go?

In a rising market, it seems natural for the investor to inquire about any particular stock: "How high in your opinion can XYZ go?" The average inquirer would doubtless not care to show his ignorance: if he doesn't happen to be of *average* caliber, and is conscientious, his answer would and should be: "I don't know." Theoretically at least, no stock has a top price; and this is averred regardless of its earnings, dividend payments or prospects. Northern Pacific did not sell at $1,000 a share on its merits; Stutz was never worth $700; and American Hide preferred was far too high at around $140. Three different things happened here and fifty or more things may happen throughout the list.

In the case of Northern Pacific, the stock would not have become historical but for the fight for control—the next item explains briefly what happened. The Stutz affair was as much "a family matter" and an out-and-out corner helped by very skilful manipulation. In the case of Hide Preferred, this writer would describe it as "a limited corner" only inasmuch as the short interest could always cover at a price.

Not to digress from the subject: a stock will continue to go up so long as sufficient people believe they can buy it for a further profit; and the more substantial these people are, the higher it will go—regardless of merit. The public is powerful, America is rich, and the will of the people backed by its money is immense. When mob force gets behind a stock or anything else there is no forecasting the end. Each bull market and each spectacular rise in an individual stock has some of the characteristics of a little French Revolution on its own; no reason—or very little reason is necessary. Under such circumstances, the masses ask for action. How can anyone answer in calmer moments what will happen in a period of intense excitement; this is what such an inquiry amounts to.

The protective measure is to be satisfied with large or reasonable profits; or place a liberal actual or mental stop loss order ranging from 5 to as much as 15 points; or to quit guessing and take a further chance. The man who could answer such a question would no longer have to work very hard for a living!

The Northern Pacific Affair

In 1901, the Hill interests controlling Northern Pacific and Great Northern announced they had also purchased the Burlington system. The outlook became exceedingly uncertain for Union Pacific controlled by Harriman and associates, and the latter decided very quietly to accumulate enough actual Northern Pacific stock together with proxies on stock not purchased to enable them to "swing" the destinies of Burlington and thus prevent any harmful competition to the Union Pacific system. It became obvious to the watchful Hill forces where the buying was coming from, so the latter also decided to add to their holdings.

Outside traders and large houses were not aware what was going on—but they sold a little Northern Pacific on the big bulges, on the general principle that "it was looking too high." Of course, the higher it went, the higher it looked, until the battle became an open one, and the Hill-Harriman interests found themselves in possession of more stock or contracts for stock to be delivered (short contracts) than was in existence.

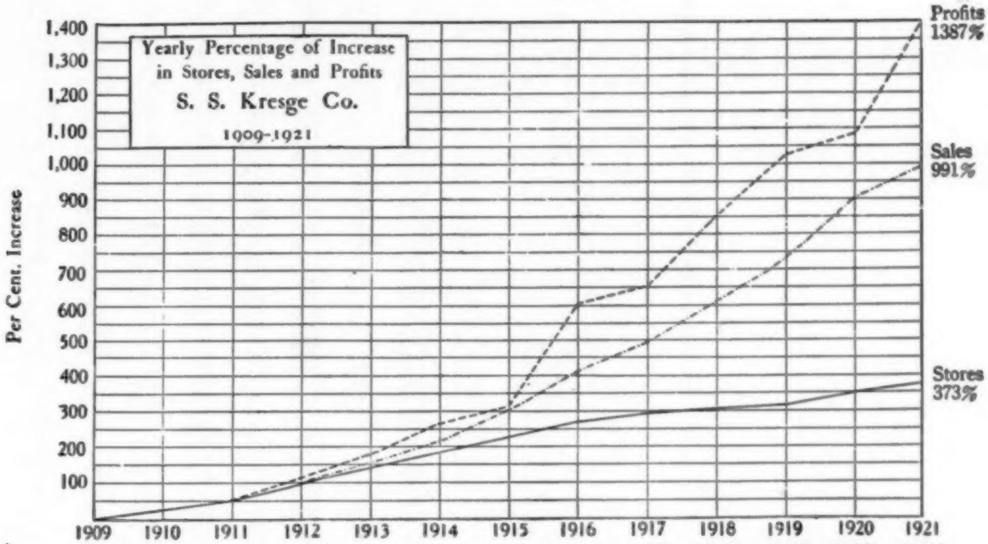
The trouble was aggravated probably by attempts to "average" short trades on the way up, and this only made the situation more dangerous. That many traders and houses short of the stock covered be-

(*Continued on page* 871)

S. S. Kresge Company

Detroit, Mich.

Operating a chain of 199 stores selling merchandise
at prices ranging from 5 cents to $1.00



	1909	1910	1911	1912	1913	1914	1915	1916	1917	1918	1919	1920	1921
Sales*	5,116	6,508	7,923	10,325	13,258	16,097	20,943	26,396	30,090	36,309	42,668	51,245	55,859
Profits* before war taxes	310	408	470	669	869	1,150	1,293	2,172	2,360	2,950	3,505	3,678	4,627
Stores	42	51	64	85	101	118	140	157	164	170	176	189	199

*Figures are expressed in thousands of dollars.

This business has developed since 1909 from 42 stores with gross sales of $5,116,000 to 199 stores in 1921 with gross sales of $55,-859,000. These results were accomplished with a margin of net profit ranging from 5.94% to 8.28%, which is a remarkable record.

A review of this company's results demonstrates that: (1) Notwithstanding the business depression, sales and profits in 1921 were greater than in any previous year; (2) earnings available for dividends in 1922 are likely to exceed previous records.

The 1922 edition of our Kresge pamphlet may be had on application. The information contained therein, based on official data and original research, may be considered authoritative and should be of particular interest to investors and business men.

Send for Pamphlet W-151

Merrill, Lynch & Company

Investment Securities

120 Broadway New York

Uptown Office, 11 East 43rd Street

Chicago	Detroit	Milwaukee	Denver	Los Angeles
105 So. La Salle Street	Ford Building	First Wisconsin Natl. Bank Bldg	206 U. S. Natl. Bank Bldg	I. N. Van Nuys Building

Members of the New York, Chicago, Detroit and Cleveland Stock Exchanges

All statements herein are based on information which we regard as reliable, but we do not guarantee them.

New York Stock Exchange

	Pre-War Period 1909-13		War Period 1914-18		Post-War Period 1919-21		1922		Last Sale	Div'd $ per
RAILS:	High	Low	High	Low	High	Low	High	Low	Apr. 6/22	Share
Atchison	125⅝	90¼	111⅛	75	104	76	100	91¾	97⅝	6
Do. Pfd.	106⅜	96	102⅛	75	89	72	88½	84½	88⅝	5
Atlantic Coast Line	148⅛	102⅛	126	79⅞	107	77	96	83	96	7
Baltimore & Ohio	122¼	90⅝	96	38¼	55¼	27⅝	43⅛	33⅛	43⅛	..
Do. Pfd.	96	77¼	80	48¼	59½	38⅛	59¼	52½	59⅛	4
Canadian Pacific	283	165	220⅛	126	170⅞	101	140½	119⅝	137¾	10
Chesapeake & Ohio	92	51⅛	71	35⅝	70⅜	46	64¾	54	64⅛	4
Chicago Great Western	36⅞	1⅛	17⅛	6	14⅛	6¼	8½	5⅛	8⅛	..
Do. Pfd.	64⅛	28	47⅛	17⅛	38⅜	14	20⅞	14½	19⅜	..
C. M. & St. Paul	165⅛	96⅜	107⅛	35	52⅜	17¼	20⅞	16½	24⅛	..
Do Pfd.	181	130⅛	143	62⅛	76	29⅛	40⅜	29	39⅞	..
Chicago & Northwestern	198⅛	128	136⅞	85	105	60	72¼	59	71⅜	5
Chicago, R. I. & Pacific	..	..	45⅜	16	41	22⅝	42⅜	30⅜	41⅜	..
Do. 7% Pfd.	..	..	94⅜	44	89⅜	64	94⅝	83¼	94½	7
Do. 6% Pfd.	..	..	80	35⅝	77	54	80⅞	70¼	80⅝	6
Cleveland C. C. & St. L.	92¼	34⅞	62⅝	21	61	31⅝	65½	54	63¼	..
Delaware & Hudson	200	147⅛	159⅛	87	116	83¼	119¼	106¾	119	9
Delaware, Lack. & W.	340	192⅛	242	100	260⅛	93	119¾	110½	116	6
Erie	61¼	33⅛	59⅛	18⅝	21⅜	9⅛	12¼	7	12¼	..
Do. 1st Pfd.	49⅝	26¼	54⅜	15⅛	33	15	20½	11⅛	20⅜	..
Do. 2nd Pfd.	39⅛	19⅛	45⅝	13⅛	23⅜	10	13¼	7⅛	13¼	..
Great Northern Pfd.	157⅞	115⅛	134⅜	79¼	100⅝	60	80⅜	70¼	71⅜	7
Illinois Central	162¼	102⅜	115	85⅜	104	80⅞	104	97½	105	7
Kansas City Southern	50¼	21⅝	35⅛	13⅛	28⅞	13	27	22	26¼	..
Do. Pfd.	75⅛	56	65⅛	40	57	40	57¼	52⅜	56⅜	4
Lehigh Valley	121¼	62⅛	87⅛	50⅜	60⅜	39⅜	61⅜	56⅝	61⅜	3½
Louisville & Nashville	170	121	141⅞	103	122⅜	94	116¼	108	116	7
Minn. & St. Louis	*65	*12	36	6⅞	24⅛	5⅛	11⅛	5	10⅞	..
Mo., Kansas & Texas	51⅛	17⅛	24	3⅛	16⅝	⅝	7⅝	⅜	7⅝	..
Do. Pfd.	78¼	46	60	6⅛	25⅛	2	8⅛	1½	‡8¼	..
Mo. Pacific	*77⅛	*21⅛	38⅛	19⅞	38⅞	11⅛	23¾	16	23	..
Do. Pfd.	..	..	64⅞	37⅛	58⅜	33⅜	55⅜	43⅛	54⅜	..
N. Y. Central	147⅜	90⅝	114¼	62⅛	84¼	64⅛	88⅞	72¾	88⅛	5
N. Y., Chicago & St. Louis	109⅜	90	90⅜	55	65	28⅜	66⅞	50	64¼	5
N. Y., N. H. & Hartford	174⅜	65⅝	89	21⅛	40⅞	12	21¾	12⅜	21⅛	..
N. Y., Ont. & W.	55⅝	25⅛	35	17	27⅞	16	30½	19⅜	29⅝	2
Norfolk & Western	119¼	84¼	147⅛	92⅝	112½	84¼	105½	96¼	105	7
Northern Pacific	159¼	101⅜	118⅞	75	99⅞	61¼	82¼	74	75⅛	5
Pennsylvania	75⅝	53	61⅛	40¼	48⅛	32¼	41¾	33¼	42½	2
Pere Marquette	*36⅛	*15	38⅛	9⅛	33⅛	12⅛	30	19	29½	..
Pitts. & W. Va.	..	..	40⅜	17⅜	44⅜	21⅛	30⅝	23	30⅜	..
Reading	89⅝	59	115⅛	60⅛	108	60⅜	77¼	71⅛	77¼	4
Do. 1st Pfd.	46⅜	41¼	46	34	61	32⅞	51	48⅝	44½	2
Do. 2nd Pfd.	58⅜	42	52	33⅜	65¼	33¼	51⅜	46	‡47	2
St. Louis-San Francisco	*74	*13	50¼	21	38⅞	10⅜	30⅞	20⅝	30¼	..
St. Louis Southwestern	40⅜	18⅛	32⅛	11	40	10⅞	30⅝	20½	30½	..
Do. Pfd.	82⅜	47⅛	65⅛	28	49⅜	20¼	44⅞	32⅜	44	..
Southern Pacific	139⅛	83	110	75⅜	118⅛	67⅛	88	78⅛	88	6
Southern Ry.	34	13	36⅜	12⅛	33¼	17⅜	23¾	17⅛	23⅜	..
Do. Pfd.	86⅞	43	65⅛	42	72⅛	42	54½	45¾	53⅝	..
Texas Pacific	40⅛	10¼	29½	6⅛	70½	14	35¼	24⅝	34½	..
Union Pacific	219	137⅜	164⅜	101¼	138⅛	110	135¼	125	134⅝	10
Do. Pfd.	118⅛	79⅜	86	69	74⅜	61¼	74⅜	71¼	73½	4
Wabash	*27⅞	*2	17⅛	7	13⅜	6⅜	10⅛	6	9⅝	..
Do. Pfd. A	*61⅜	*6⅛	60⅛	30⅞	38	17	32⅜	19⅛	31⅜	..
Do. Pfd. B	..	..	32⅞	18	25⅛	12⅛	21	12¼	‡20	..
Western Maryland	*56	*40	28	9¼	15⅝	8⅜	10½	8¼	10⅛	..
Western Pacific	...	..	25⅛	11	40	15	20½	13⅜	19½	..
Do. Pfd.	..	..	64	35	78	51⅛	58	51⅝	55⅞	6
Wheeling & Lake Erie	*12⅞	*2½	27⅝	8	18⅛	6⅛	9⅜	6	9⅛	..
INDUSTRIALS:										
Allied Chem.	..	..	..	..	62⅜	34	69⅝	55⅛	69⅛	4
Do. Pfd.	..	..	..	..	103⅜	83	109¼	101	‡106½	7
Allis Chalmers	10	7⅝	49⅛	6	53⅞	26½	48⅞	37⅜	47⅝	4
Do. Pfd.	43	40	92	82⅛	97	67⅛	94½	86½	92½	7
Am. Agr. Chem.	63⅝	33⅛	106	47⅜	113⅜	26⅛	41⅞	29⅜	40¼	..
Do. Pfd.	105	90	103⅛	89⅛	103	51	73½	55⅝	67	..
Am. Beet Sugar	77	19⅜	108⅛	19	103⅜	24⅛	44	31⅝	42⅜	..
Am. Bosch Mag.	..	..	..	..	143⅞	29⅛	47	31¼	45½	..
Am. Can.	47⅝	6⅞	68⅛	19¼	68⅝	21⅜	48⅞	32½	48⅝	..
Do. Pfd.	129⅛	86	114⅛	80	107⅝	72	104⅞	93¼	103½	7
Am. Car & Fdy.	76⅛	36⅛	98	40	151¼	84½	156⅞	141	155⅜	12
Do. Pfd.	124⅜	107⅛	119⅛	100	119	105⅜	120½	115½	‡116½	7
Am. Cotton Oil	79⅛	33⅛	64	21	67½	15⅛	27¼	19⅛	25½	..
Do. Pfd.	107⅛	91	102¼	78	93	35⅛	56	41	55⅜	..
Am. Drug Synd.	..	..	..	..	15⅛	4	6⅛	4½	6	..
Am. Hide & L.	10	3	22⅛	2⅛	43⅛	5	16	12	15⅜	..
Do. Pfd.	51⅞	15⅛	94⅞	10	142⅜	35	71⅞	58	69½	..
Am. Ice	..	..	49	8⅞	83⅛	37	114½	78	109¼	7
Am. International	..	..	62⅝	12	132¼	21⅛	45½	38⅛	45½	..
Am. Linseed	20	6⅞	47⅜	20	95	17¼	35⅜	29⅜	35¼	..
Am. Loco.	74⅜	19	98¼	46⅝	117⅛	53	112	102	112	6
Do. Pfd.	122	75	109	93	115	96⅛	113	112	‡115	7
Am. Safety Razor	..	..	..	..	22	3⅛	8½	3⅝	8¼	..
Am. Ship & Com.	..	..	..	..	47½	4⅜	15⅜	5½	14⅝	..
Am. Smelt. & Ref.	105⅛	56⅝	123⅜	50¼	89⅜	29¼	55⅜	48⅝	55½	..
Do. Pfd.	116⅜	98¼	115⅛	97	109⅝	63¼	98½	86½	98½	7
Am. Steel Fdys.	74½	24⅛	95	44	50	18	37⅝	30⅜	37½	3
Do. Pfd.	..	..	..	..	96½	78	96⅞	91	96⅜	7
Am. Sugar	136⅝	99⅞	126⅜	89⅛	148⅜	47⅝	74¾	54⅛	72½	..
Do. Pfd.	133⅛	110	123½	106	119	67½	100	84	98½	7
Am. Sumatra Tob.	..	..	145⅜	15	120⅛	28⅛	35⅜	23¼	33	..
Do. Pfd.	..	..	103	75	105	68⅜	71	52¼	‡61	..
Am. Tel. & Tel.	153⅜	101	134⅛	90⅝	119⅛	92⅛	124½	114½	121¼	9
Am. Tobacco	*530	200	256	123	314⅛	104⅛	142½	129⅛	140½	12
Do. B.	..	..	..	..	210	100⅛	138¼	126	136	12
Am. Woolen	40⅝	15	60⅞	12	169⅛	55⅛	90⅜	78⅛	88¼	7
Do. Pfd.	107⅜	74	108	72½	110⅜	88⅛	105¼	102½	105	7
Anaconda	54⅜	27⅛	105⅜	24¼	77⅞	30	52⅞	47	52¼	..
At. Gulf & W. I.	18	5	147⅜	4½	192⅜	18	33¼	28½	32½	..
Do. Pfd.	32	10	73⅜	9⅞	76⅛	15⅜	24	16½	24	..
Baldwin Loco.	60⅝	36⅛	154⅛	26⅝	156⅛	62¼	115	92⅜	115⅛	7
Do. Pfd.	107⅛	100¼	114	96	111⅞	92	109¼	104	108½	7
Bethle. Steel B	*51⅝	*18⅜	155⅛	59⅜	112	41⅛	75⅝	55⅛	73	5
Do. 7% Pfd.	80	47	186	68	108	87	93¼	90⅞	93¼	7
Do. 8% Pfd.	..	..	110⅛	92⅛	116	90	113¼	104	‡110	8
Calif. Packing	..	..	50	30	87⅛	48⅛	78⅛	68	77⅝	6
Calif. Petro.	72⅛	16	42⅜	8	56⅞	15⅜	55¼	43⅛	54½	..

Price Range of Active Stocks

	Pre-War Period 1909-13 High	Pre-War Period 1909-13 Low	War Period 1914-18 High	War Period 1914-18 Low	Post-War Period 1919-21 High	Post-War Period 1919-21 Low	1922 High	1922 Low	Last Sale Apr. 6/22	Div'd $ per Share
INDUSTRIALS—Continued:										
Calif. Petro. Pfd.	95½	45	81	29½	88	63	95½	83	95½	7
Central Leather	51¾	16½	123	25¾	116½	22⅛	38⅝	29⅝	37⅝	..
Do. Pfd.	111	80	117⅛	94⅞	114	57⅛	74	63⅝	72	..
Cerro de Pasco	..	..	55	25	67½	23	36⅞	32⅝	36	..
Chandler Mot.	..	..	109⅞	56	141¼	38¼	79¼	47⅝	77¾	6
Chile Copper	..	..	30¼	11¼	29¼	7¼	18⅛	15⅛	17⅝	..
Chino Copper	50⅜	6	74	31⅝	50⅞	16⅝	29⅝	25⅝	27⅞	..
Coca Cola	..	..	..	..	43⅝	18	50¼	41	49	4
Colum. Gas & E.	..	..	54⅛	14¼	69	39¼	85¼	64⅝	84	6
Columbia Graph.	..	..	*166	*97	75⅛	2⅝	4	1⅛	3⅛	..
Consol. Cigar	..	..	..	..	80	18½	30⅛	18⅝	27½	..
Consol. Gas	165¼	114½	150⅛	112⅛	106⅝	71⅝	111½	85	108⅝	7
Corn Prod.	26½	7⅝	50⅛	7	105¼	46	108⅛	91¼	105	6
Do. Pfd.	98½	61	113½	58⅛	112	96	115½	111	‡113	7
Crucible Steel	19⅝	6⅛	100⅞	12¼	278⅛	49	67¼	52⅝	60½	..
Cuba Cane Sugar	..	..	76⅝	24⅞	59⅝	5⅝	19⅞	8⅛	16⅛	..
Cuban Amer. Sugar	*53	*33	*273	*38	*605	10⅛	26⅝	14½	22⅝	..
Fisk Rubber	..	..	..	..	55	3⅝	17⅝	11⅛	17	..
Freeport Tex.	..	..	70½	25⅝	64⅝	9⅛	20¼	12¼	17⅛	..
Gen'l Asphalt	42⅝	15⅛	39⅝	14¼	100	32½	66	55⅛	65⅞	..
Gen'l Electric	188⅛	129⅝	187¼	118	176	109½	164	136	163	8
Gen'l Motors	*51⅞	*25	*850	*74½	42	9⅝	13⅝	8⅛	13¼	..
Do. 6% Pfd.	..	..	99½	72⅝	95	63	80	69	79½	6
Do. 6% Deb.	..	..	..	..	94⅝	60	80⅝	67⅝	80⅝	6
Do. 7% Deb.	..	..	..	..	94	69	94½	79½	94½	7
Goodrich	86½	15½	80¼	19⅝	93⅝	26⅝	41¼	34⅛	39⅝	..
Do. Pfd.	109⅝	73⅝	116⅝	79⅞	100½	62½	87	80½	86	7
Gt. Nor. Ore.	88⅛	25½	50⅝	22⅛	52⅝	24⅞	39⅛	31⅝	38⅛	4
Houston Oil	25½	8¼	86	10	116½	40½	79¼	70	78½	..
Hupp Motors	..	..	11⅝	2⅛	23⅛	4⅝	17⅝	10	17¼	1
Inspiration	21⅝	13⅝	74⅝	14¼	68⅞	28	42⅝	37¼	41	..
Inter. Mer. Marine	9	2⅛	50⅞	⅝	67⅝	7⅛	17⅝	13¼	17½	..
Do. Pfd.	27⅝	12½	125⅝	8	128½	36	75⅝	62¼	74¾	6
Inter. Nickel	*227¼	*135	57½	24⅛	33⅝	11⅛	17	11¼	16⅞	..
Inter. Paper	19⅝	6⅛	75⅛	8⅛	91⅝	30¼	52	43½	47¾	..
Invincible Oil	..	..	..	..	47¼	5⅛	20	12⅞	19⅝	..
Island Oil	..	..	..	..	7⅛	2	3	⅝	¾	..
Kelly Springfield	..	..	85¼	36⅝	164	25½	47⅞	34¼	47¼	..
Do. 8% Pfd.	..	..	101	72	110¼	70¼	100	90½	‡98¼	8
Kennecott	..	..	64¼	25	43	14⅝	31	25½	30¼	..
Keystone Tire	..	..	46½	11	126¾	8¼	19⅝	15⅛	18¼	..
Lackawanna Steel	55⅛	28	107	26½	107⅝	32	52½	44	51¾	..
Loews, Inc.	..	..	..	..	38⅝	10	16½	11	15	..
Loft, Inc.	..	..	..	..	28	7⅝	13⅞	9	13	1
Mexican Pet.	90⅛	41¾	129⅝	46⅛	264	84½	130	106¾	129¾	12
Miami Copper	30⅛	12¾	49⅝	16½	32¾	14⅝	28⅝	25¾	28½	2
Middle States Oil	..	..	..	..	71¾	10	14¼	11⅝	13¾	1.20
Midvale Steel	..	..	98½	39½	62¼	22	35	27½	34	..
Nat'l Lead	91	42½	74⅝	44	94½	63⅛	94¼	85	‡90½	6
Nevada Copper	30	13	34¼	10¼	21⅞	8	15⅝	13¼	15⅛	..
N. Y. Air Brake	98	45	186	55⅝	145¾	47½	72	57	70½	..
N. Y. Dock	40¼	8	27	9¼	70⅝	16¼	33¾	28¾	‡30¼	2½
North American	*87⅞	*60	*81	*33⅝	46	32¼	60¼	44⅝	57⅝	3
Do. Pfd.	..	..	..	..	41⅛	31⅞	43½	30	42½	3
Pacific Oil	..	..	..	..	50⅝	27½	55	44¾	54⅝	3
Pan Amer. Pet.	..	..	70⅝	35	140¼	38⅛	60¼	48⅞	60	6
Do. B.	..	..	..	..	111¾	34⅛	54	44	54	6
Philadelphia Co.	59⅛	37	48⅞	21½	48	26½	39⅝	31½	38½	3
Phillips Pet.	..	..	..	..	44½	16	37⅝	28¼	36¾	2
Pierce Arrow	..	..	65	25	99	9¼	21⅞	15⅛	19¾	..
Do. Pfd.	..	..	109	88	111	21	42	27⅞	39¾	..
Pittsburgh Coal	*29⅝	*10	58¾	37½	74⅝	45	63¼	55¾	62¼	5
Pressed Steel Car	56	18½	88¼	17¼	113¾	48	77	63	76¾	..
Do. Pfd.	112	88½	109¼	69	106	83	93½	91	‡94	7
Punta Aleg. Sug.	..	..	51	29	120	24⅝	43¼	30½	41¼	..
Pure Oil	..	..	143⅞	31⅝	61⅞	21½	32⅝	29½	31⅝	2
Ry. Steel Spg.	54½	22¼	78½	19	107½	67	101	94	99¾	8
Do. Pfd.	113⅝	90¼	105½	75	112	92⅛	115¼	108¼	‡106	7
Ray Cons. Cop.	27½	7⅛	37	15	27½	10	15⅝	13½	15¼	..
Replogle Steel	..	..	..	..	93½	18	41	25½	34¼	..
Republic I. & S.	49½	15⅝	96	18	145	41⅛	56½	46¼	54½	..
Do. Pfd.	111⅛	64⅛	112⅝	72	106¾	75¼	87½	74	78½	..
Republic Motors	..	..	77	81	74½	5	8½	4½	7⅝	..
Royal Dutch N. Y.	..	..	86	56	128⅝	40½	59½	47¼	59⅞	5.20
Shell T. & T.	..	..	..	..	90½	30⅞	45	35⅝	44½	83½
Sinclair Con. Oil	..	..	67⅛	25¼	64¼	16½	26	18⅝	26	..
Sloss Shef. Steel	94⅝	23	93¼	19½	89	32¼	44	34½	43½	..
Stand. Oil N. J.	*448	*322	*800	*355	212	124½	183	169¼	175	5
Do. Pfd.	..	..	..	..	114½	100⅛	115⅞	113⅝	114⅝	7
Stromberg Carb.	..	..	45¼	21	118¼	22⅛	40⅝	35¼	48⅞	..
Studebaker	49½	15⅝	195	20	151	37⅝	119¼	79½	118	7
Do. Pfd.	98½	64½	119⅛	70	104¼	76	109	100	109	7
Superior Steel	..	..	96	30¼	60	26	39	26	38¼	..
Tenn. Cop. & Chem.	..	..	21	11	17¼	6¼	11¾	9⅝	11⅝	..
Texas Co.	144	74½	243	112	57⅝	29	46¾	42	44⅞	3
Tex. Pac. C. & O.	..	..	..	..	195	15⅝	28¾	23	28	1
Tobacco Prod.	145	100	82⅝	25	115	45	65¼	57¼	64¼	6
Transcontl. Oil	..	..	..	..	62⅝	5⅝	11	7½	9⅞	..
United Fruit	208⅛	126⅛	173	105	224⅞	95¾	148	119⅝	147	8
Un. Retail Stores	..	..	..	..	119¼	45¼	56⅝	43¼	48⅞	..
U. S. Food Prod.	41⅝	9⅝	64⅝	5⅛	91⅝	8⅛	10½	2⅝	5⅜	..
U. S. Ind. Alco.	57¼	24	171½	15	167	35¼	49½	37	47⅝	..
U. S. Rubber	69⅛	27	80½	44	143⅝	40½	65	51⅝	64½	..
Do. Pfd.	123⅛	98	115¼	91	119½	74	105	99	104½	8
U. S. Smelt. & R.	59	30⅝	81½	29	78½	26	38½	32⅝	38	..
U. S. Steel	94⅞	41¼	136⅝	38	115½	70¼	98⅝	82	97½	5
Do. Pfd.	131	102½	123	102	117½	104⅛	118	114¼	117½	7
Utah Copper	67⅛	38	130	48⅛	97⅛	41⅛	65⅞	60⅝	65	2
Vanadium	..	..	..	..	97	25½	45	30½	43¾	..
Va.-Caro. Ch.	70⅝	22	60¼	15	92½	20⅝	36⅞	27⅛	34⅞	..
Do. Pfd.	129½	62	115⅝	80	115⅞	57⅝	78⅝	67	77⅛	..
Western Union	86⅛	56	105½	58⅝	94	76	98½	89	98	7
Westinghouse Mfg.	45	24⅝	74⅞	32	59⅞	38⅞	62⅝	49⅛	62	4
White Motors	..	..	60	30	86	29¼	44½	35½	43¼	4
Willys Overland	*75	*50	*325	15	40¼	4⅝	9½	4½	8⅝	..
Wilson Co.	..	..	84¼	42	104⅝	27⅛	42½	27½	41½	..
Woolworth	177⅞	76⅛	151	81½	139⅝	100	167⅞	137	161	8

*Old stock. ‡Bid price given where no sales made.

INQUIRIES ON INDUSTRIAL SECURITIES

(Continued from page 843)

reason being the rather severe competition in the motor wheel industry and also the fact that there appears to be a growing demand for the all steel wheel which may force this company ultimately into the manufacture of that type of wheel with problematical results as to profits.

Capitalization of the company consists of $2,500,000 8% 1st preferred cumulative par $100 and $4,500,000 common stock, par $10. Dividends are being paid on the common stock at the rate of 8% or 80 cents a share. In 1921 the company earned 25 cents a share on the common stock after deducting inventory depreciation. Previous report covered 10 months ended Dec. 31, 1920, and showed 57 cents a share earned on the common. The balance sheet of the company shows a very strong financial condition with a working capital of about $4,000,000. In the current year it is reported that the company has received large orders and the outlook is that the dividend will be comfortably covered in 1922. While we believe the common to have speculative possibilities would prefer American-La France Fire Engine selling at about the same price and paying $1. In 1921 the latter company earned $1.80 a share on the common.

GUANTANAMO SUGAR
Good Financial Condition

I have purchased a small amount of Guantanamo sugar at 10¾. What is the present financial condition of the company, and how do you regard the outlook?—R. H. W., Braddock, Pa.

Guantanamo Sugar Company has recently increased its capitalization and now has outstanding $1,500,000 8% cumulative preferred stock and 375,000 shares of common stock of no par value. This company as did other sugar concerns, lost heavily in operations in 1921 due to the rapid deflation in the price of sugar, but it is felt that the sugar companies have turned the corner and for a long pull speculatiion we think the stock around present levels has opportunities of enhancement in value. The company is a producer of sugar, owning about 55,000 acres of land around Guantanamo, Cuba, and recently reinvested $1,000,000 in improvements. The recent issue of preferred stock put it in good financial condition.

U. S. CAST IRON PIPE
New Process Acquired

I own a few shares of United States Cast Iron Pipe & Foundry common stock at a cost of 32. I have held this for three years, and can now get out with a small profit. Would you advise taking my profit?—S. R. E., Newmarket, N. H.

The big advance in the U. S. Cast Iron Pipe common was largely brought about by the recent acquisition by that company of a new process for manufacturing pipe which it is believed will turn out to be a big money maker. Of course, its earning possibilities have not been entirely demonstrated. The preferred stock is paying 5% and must receive 7% before the common gets anything. Under these circumstances we would say that the common appears high enough and we would be inclined to take profits. If the new process should prove to be very profitable the common stock might go still higher, but this is uncertain. For the year 1921 the company earned 0.819 on the preferred stock.

INGERSOLL-RAND
Brighter Outlook

Before the war I purchased a few shares of Ingersoll-Rand common stock, and although the stock is now considerably lower than it has been it still shows me a very handsome profit, as I have received stock dividends in addition to large cash dividends. Would appreciate your opinion as to the advisability of holding the stock and what information you have available in regard to the company. G. W., Hartford, Conn.

Ingersoll-Rand has shown a very fine earning power over a long period of years. In the past twelve years it has never in any year shown less than 11% on the common stock and in the boom years earnings ran up as high as 75% on the common. Although dividends have been very liberal, in the last seven years a total of 135% in cash and 20% in stock having been paid on the common, a large part of earnings were put back into the property and the financial condition is unusually strong. Working capital is about $22,000,000 which compares with a total capitalization of $1,000,000 bonds, $2,525,500 6% cumulative preferred stock and $10,900,000 common, par $100. It can be seen, therefore, that working capital alone is equal to $170 a share on the common stock after allowing for the bonds and preferred. In addition the company has valuable plants located in Pennsylvania and New York and carried on the books at over $12,000,000.

The company's principal products are air compressors, rock drills, pneumatic tools, and general mining, tunneling and quarrying machinery. The outlook for the future is reasonably bright for the company as increased activity in mining is anticipated which would mean a good demand for this company's products.

The stock is traded in over the counter and has a rather wide market; it is about 146 bid, offered at 156. Dividends are now being paid at the rate of 10% per annum. The 1921 report is not yet at hand, but in 1920 the company earned 34% on the common and in 1919, 44%. At present price the stock appears relatively cheap in view of the large assets and its earnings record. Our advice is to hold for higher prices.

UNITED STATES GYPSUM
Leader in Its Industry

Some years ago I inherited a small block of United States Gypsum common and preferred stock. I know little or nothing about this company, but have been receiving satisfactory dividends right along. I would greatly appreciate your opinion as to the advisability of holding this stock for investment and a few particulars in regard to the company's affairs.
H. L. B., Joplin, Mo.

United States Gypsum Co. manufactures all classes of gypsum products including hard plaster, cement plaster, wood-fibre plaster, molding, stucco, etc. The company has a supply of gypsum rock estimated at over 200,000,000 tons. It owns plants and property in various sections of the United States and recently started construction of a new $1,000,000 plant at Sweetwater, Texas.

This is one company that did not feel the depression in industry in 1921 as that year turned out to be one of the most profitable in its history. Net income, after deduction

of preferred dividends being equal to $6.48 a share on the common stock. Prosperity of the company is dependent to a large extent on the activity in the building trades. In view of the large shortage of homes that still exists in the country the outlook is for extensive building operations in the next few years and good earnings for this company.

Balance sheet as of December 31, 1921, shows a strong financial condition, working capital being over $2,000,000. Capitalization consists of $5,968,500 7% cumulative preferred stock par $100 and $4,172,140 common stock, par $20.

This company occupies the leading position in its industry and as far as can be foreseen at the present time there is no reason to doubt but that it will continue to make as creditable a showing in the future as it has in the past. The preferred stock at present price of about 100 returns 7% on the investment and can be regarded as an attractive investment issue. The common selling around 51 is of course more speculative but we see no reason why you should dispose of it unless you prefer to have your money in a higher grade security such as a good bond or preferred stock.

SKELLY OIL

Low Priced Oil

I would like to have you explain to me if you can, why it is that Skelly Oil stock has not joined in the general upward movement of the stock market. It has been selling around 5 for several months. I hold some of the stock bought at higher prices. Is it worth holding on to?

J. H. S., Flushing, N. Y.

Skelly Oil properties are principally located in the Mid-Continent field. The company has 533 producing wells located on 107 properties, the major part of the production being in Oklahoma. In addition to the producing properties the company has leases covering 100,000 acres, many of these leases being within the limits of producing fields. Production has shown a steady increase as shown by the following figures given out by the company:

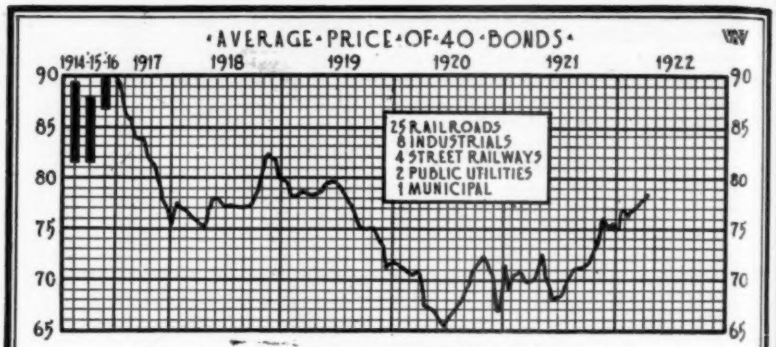
1st quarter	1920	daily average	2,897
2nd	"	"	4,245
3rd	"	"	4,954
4th	"	"	5,805
1st	1921	"	5,904
2nd	"	"	6,986
3rd	"	"	7,946

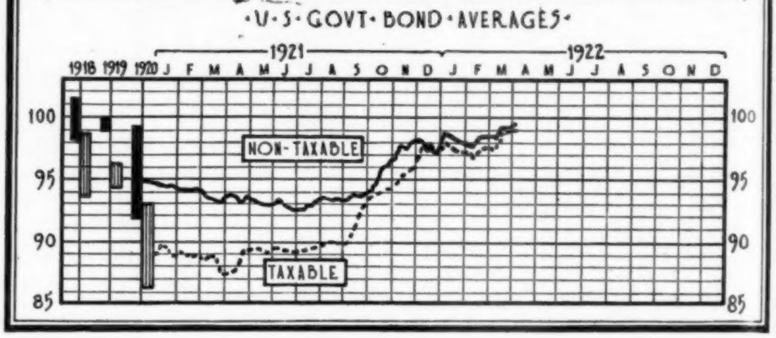
For the ten months ended Oct. 31, 1921, net earnings, after deducting depletion and depreciation were $1,399,134 equal to 77 cents a share of the 1,806,337 shares outstanding.

In December, 1921, the company sold $3,500,000 7½% ten-year 1st mortgage bonds to provide additional working capital. These bonds were offered at par. This put the company in comfortable financial condition with a working capital of $2,500,000 and free of bank loans.

Skelly Oil through stock ownership controls two refineries, the Midland Refining Co., with a daily capacity of 5,000 bbls. and its own system of pipe lines, tank cars and marketing stations, and the Nortex Refining Co., with a capacity of 1,500 bbls.

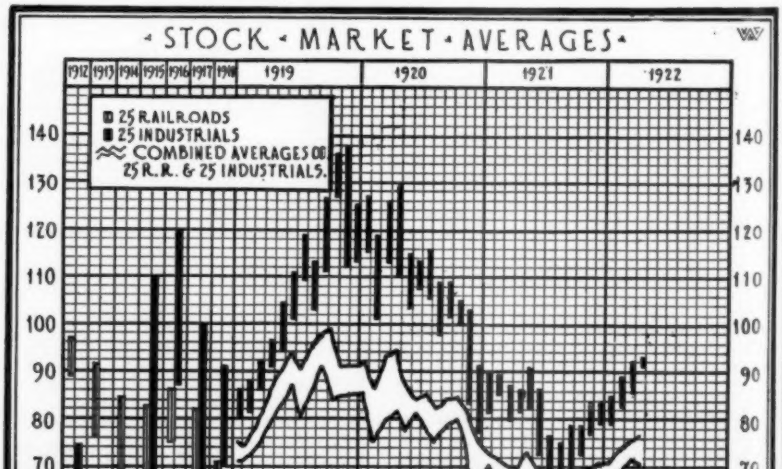
In view of the progress the company has made in increasing production and its present sound financial condition we regard the stock as having rather attractive speculative possibilities at present price of 5 and suggest holding.





MARKET STATISTICS

	N.Y.Times 40 Bonds	Dow, Jones Avgs. 20 Indus.	Dow, Jones Avgs. 20 Rails	N.Y.Times 50 Stocks High	N.Y.Times 50 Stocks Low	Sales
Monday, March 27......	78.00	86.60	78.79	73.55	72.70	752,736
Tuesday, March 28......	78.14	87.20	79.15	74.00	73.15	624,891
Wednesday, March 29...	78.15	87.90	80.16	74.82	73.79	745,520
Thursday, March 30.....	78.06	88.87	80.86	75.66	74.58	961,370
Friday, March 31........	78.30	89.05	80.66	76.01	74.97	1,082,364
Saturday, April 1........	78.44	89.08	80.68	75.63	74.55	511,850
Monday, April 3.........	78.48	90.05	81.26	76.41	75.25	1,339,720
Tuesday, April 4........	78.65	89.30	80.86	76.94	75.55	1,312,962
Wednesday, April 5.....	78.62	90.67	81.56	76.81	75.75	1,156,540
Thursday, April 6.......	78.71	90.80	82.78	77.48	76.48	1,593,930
Friday, April 7..........	79.05	90.80	83.20	77.90	76.64	1,557,292
Saturday, April 8........	79.14	90.63	83.91	77.90	77.08	807,990



CURRENT BOND OFFERINGS

ACTIVITY in new bond offerings continues unabated. Continued ease in the money markets and pronounced strength of old issues has contributed to the exceptional success which houses of issue are meeting in connection with the flotation of their new securities. New issues were fairly evenly divided with the exception of railroad issues, the latter of which totaled $60,000,000, out of a total of $111,000,000 for the week.

An interesting bit of financing was the $30,000,000 8% bonds of the Czechoslovak Republic which were sold in London, New York and Amsterdam. About $14,000,000 of these bonds were allotted to New York and the issue was fully subscribed before the opening of the books. The issue met a similar reception in London and Amsterdam.

NEW BOND OFFERINGS

	Amount	Offered Yield %
STATE AND MUNICIPAL		
Oklahoma City, Okla..	$2,709,000	4.70-4.00
Hidalgo Co., Texas...	1,250,000	5.37-5.20
Little Rock, Ark.....	1,125,000	4.75
Minneapolis, Minn....	945,000	4.50-4.30
Memphis, Tenn.......	1,250,000	4.60-4.50
St. Paul, Minn........	500,000	4.15
State of California....	350,000	4.37
FOREIGN		
Dominican Republic ..	6,700,000	6.00
Czechoslovak Republic.	14,000,000	8.30
Prov. of Alberta, Can.	3,000,000	5.30
PUBLIC UTILITIES		
United Lt. & Rys. Co.	7,000,000	6.45
Metrop. Edison Co....	4,555,000	6.10
Pennsylvania-Ohio Elec. Co.	1,950,000	6.80
Eastern Wisconsin Elec. Co.	450,000	6.20
Luzerne Co. Gas & Elec. Co.	1,000,000	7.50
RAILROAD		
N. Y. Central	60,000,000	5.30
LAND BANKS		
First Jt. Land Stock of Minneapolis	500,000	4.75-5.00
California Jt. Stock..	2,000,000	4.85-5.00

Under the stimulus of the advance in tax-exempt Liberty bonds state and municipal bonds that are tax-exempt have had a very good market and new issues of this sort have been floated successfully.

The most important new financing was that of the New York Central which offered $60,000,000 refunding and improvement mortgage 5s at 94½ to yield approximately 5.30%. The bonds were over-subscribed three times and when trading was initiated on a when-issued basis, a slight premium was offered.

At the current rate of offerings, it is possible that over $5,000,000,000 new bonds will be offered to the American public this year. So far, the ability of the public to absorb new issues as they come along has not been weakened and the appetite for new and good bonds is very keen.

Several very good investment opportunities were offered among the public utility list with yields ranging from 6.10 to 7.50%. State and municipal bonds of which there were a great number offered from 3.90 to 6.00%.

In glancing through the list of new issues, one is struck by the fact that not a single 8 or 7½% coupon rate is visible, with the exception of the Czechoslovak bonds mentioned above. The highest domestic rate offered was 7%. Another

(*Continued on page* 877)

UNLISTED UTILITY BOND INDEX

GAS AND ELECTRIC COMPANIES

	Asked Price	Yield
Bronx Gas & Electric Co. First 5s, 1960 (a)	80 bid	6.42%
Buffalo General Electric First 5s, 1939 (c)	98	5.15
Canton Electric Co. First 5s, 1937 (b)	86	6.46
Cleveland Electric Ill. Co. 5s, 1939 (b)	96	5.38
Cleveland Electric Ill. Co. 7s, 1935 (a)	102	6.70
Denver Gas & Electric Co. First 5s, 1949 (c)	93	5.50
Duquesne Light Co., Pittsburgh, 7½s, 1936 (b)	105	7.00
Evansville Gas & Electric Co. First 5s, 1932 (a)	94	5.80
Kansas Elec. Utility First 5s, 1925 (c)	82	10.50
Kansas Gas & Electric 5s, 1922 (a)	100	5.00
Indianapolis Gas Co. 5s, 1952 (a)	87	5.90
Los Angeles Gas & Electric Gen. 7s, 1931	104	6.40
Louisville Gas & Elec. Ref. 7s, 1922, 1923 (c)	101	6.00
Nevada-Cal. Electric First 7s, 1946 (c)	95	7.45
Oklahoma Gas & Electric Co. First & Ref. 7½s, 1941 (c)	102	7.30
Oklahoma Gas & Electric Co. First Mtge. 5s, 1929 (a)	95	5.85
Peoria Gas Electric 5s, 1923 (a)	99	6.05
Rochester Gas & Electric Corp. Series B 7s, 1946 (b)	108	6.35
San Diego Cons. G. & El. First Mtge. 5s, 1939 (a)	91	5.85
San Diego Cons. G. & El. First Mtge. Ref. 6s, 1939	100	6.00
Standard Gas & Electric Conv. S. F. 6s, 1926 (b)	95	7.80
Standard Gas & Electric Secured 7½s, 1941 (c)	101	7.40
Syracuse Gas Co. First 5s, 1946 (a)	90	5.77
Twin-State Gas & Electric Ref. 5s, 1953 (c)	77½	7.10

TRACTION COMPANIES

Arkansas Valley Ry. L. & P. First & Ref. 7½s, 1931 (b)	100	7.50
American Light & Traction Notes 6s, 1925 (c)	106	3.70
Bloomington, Dec. & Champ. Ry. Co. First 5s, 1940 (a)	68	8.50
Danville, Champ. & Decatur 5s, 1933 (a)	78	7.36
Georgia Ry. & Power 5s, 1954 (b)	80	6.90
Kentucky Traction & Terminal 5s, 1951 (a)	65	7.60
Knoxville Ry. & Light 5s, 1946 (b)	77	7.20
Milwaukee Light, Heat & Traction 5s, 1929 (a)	93	6.20
Milwaukee Elec. Ry. & Light 7s, 1923 (c)	102	4.93
Milwaukee Elec. Ry. & Light 7½s, 1941 (b)	104	7.15
Monongahela Val. Trac. Co. Gen. Mtge. 7s, 1923 (c)	99	8.06
Memphis St. Ry. 5s, 1945 (a)	68 bid	8.01
Northern Ohio Trac. & Lt. 6s, 1926 (c)	97	6.87
Nashville Ry. & Light 5s, 1953 (a)	86	6.00
Portland Ry. P. & L. 1st Lien & Ref. Ser. "A" 7½s, '46 (c)	104	7.16
Topeka Ry. & Light Ref. 5s, 1933 (c)	78	8.05
Tri-City Ry. & Light 5s, 1930 (c)	92	6.25
United Light & Rys. Ref. 5s, 1932 (c)	87	6.85
United Light & Rys. Notes 8s, 1930 (c)	105	7.15

POWER COMPANIES

Adirondack P. & Lt. Corp. First & Ref. Gold 6s, 1950	98½	6.15
Adirondack El. Power Co. First 5s, 1962	98	5.35
Alabama Power Co. First 5s, 1946 (a)	91	5.60
Appalachian Power Co. First 5s, 1941 (a)	84	6.50
Calif. Oregon P. Co. First & Ref. 7½s, Series A, 1941 (c)	104	7.11
Cent. Maine P. Co. First & Gen. Mtge. 7s, Series A, 1941	103	6.72
Cent. Maine Power Co. 5s, 1939 (a)	97	5.27
Cent. Georgia Power First 5s, 1938 (c)	87	6.30
Columbus Power Co. (Georgia) First 5s, 1936 (a)	91	5.96
Colorado Power Co. First 5s, 1953 (c)	85½	6.05
Consumers Power Co. (Mich.) 5s, 1936 (a)	93½	5.70
Electric Dev. of Ontario Co. 5s, 1933 (b)	95	5.65
Great Northern Power Co. First 5s, 1935 (a)	87	6.50
Great West. P. Co. First & Ref. 7s, Series B, 1950 (a)	105	6.61
Great West. P. Co. 5s, 1946 (a)	93	5.50
Hydraulic Power Co. First & Imp. 5s, 1951 (b)	95½	5.30
Idaho Power Co. 5s, 1947 (a)	91	5.65
Kansas City Power & Lt. 8s, 1940 (c)	105	7.60
Kansas City Power & Lt. First 5s, 1944 (c)	90	5.81
Laurentide Power Co. First 5s, 1946 (b)	92	5.60
Madison River Power Co. First 5s, 1935	97	5.30
Mississippi River Power Co., First 5s, 1951 (c)	90	5.70
Niagara Falls P. Co. First & Cons. Mtg. 6s, 1950 (b)	102	5.80
Ohio Power First & Ref. 7s, 1951 (c)	103	6.70
Penn. Ohio Power & Lt. Notes 8s, 1930 (c)	100	8.00
Potomac Electric Power Gen. 6s, 1923 (c)	100	6.00
Puget Sound Power Co. First 5s, 1933	90 bid	6.81
Salmon River Power First 5s, 1952 (c)	95	5.90
Shawinigan Water & Power Co. First 5s, 1934 (b)	97½	5.35
Southern Sierra Power Co. First 6s, 1936 (c)	98	6.22
S. W. Power & Lt. First 5s, 1943 (c)	86	6.20
West Penn. Power First 7s, 1946 (c)	104	6.66

TELEPHONE AND TELEGRAPH COMPANIES

American Tel. & Tel. 3-Year 6s, 1922 (c)	101	4.50
American Tel. & Tel. 5-Year 6s, 1924 (c)	102	5.05
Bell Tel. Co. of Canada 1st 5s, 1925 (b)	94	7.26
Bell Tel. Co. of Canada 1st 7s, 1925 (b)	101	6.63
Bell Tel. Co. of Pa. 1st Refund. 7s, 1945 (c)	108	6.34
Chesapeake & Potomac Tel. Co. Va. 1st 5s, 1943 (c)	93	5.58
Home Tel. & Tel. Co. of Spokane 1st 5s, 1936 (c)	98	5.73
Western Tel. & Tel. Co. Coll. Trust 5s, 1932 (b)	95	5.66

*Investors should note that the "asked" price on a bond may vary from 1 to 5 points from the "bid," depending upon the activity of the security.

LONG TERM "UTILITIES" IN BETTER FAVOR

Many Good First Mortgage Bonds Are Available Which Give Yield of at Least 6% on a Long Term Basis

By James N. Paul

WITH cheaper money coming in and markets for practically all classes of securities advancing, many foresighted investors are looking about for long term bonds on the theory that it is still possible to invest in adequately secured issues at a rate of return which perhaps cannot be obtained a few years hence.

It is conceded that the days of 7 and 8% notes issued by many public utilities during the period of inflation are past. But there are many good seasoned issues which will show a yield of 6% for the investors seeking long term issues.

A few suggestions for long term issues are Portland Gas & Coke 5s of 1940 at present selling around 91 which yield 5.80% if held to maturity; Southwestern Power & Light Co. debenture 6s maturing 2022 and at present selling around 89 and at this price yielding 6¾%; Sierra & San Francisco Power first 5s of 1949 selling at 86½ with a yield of 6% if held to maturity.

Portland Gas & Coke Co.

Portland Gas & Coke Co. supplies gas without competition to Portland and Oregon City, Oregon in addition to 16 other communities in that vicinity. It also supplies gas at wholesale rates to Pacific Power & Light Co., for use in Vancouver, Washington.

Portland Gas & Coke Co is one of the subsidiary operating companies of American Power & Light Co. and is excellently managed. Its sales have been showing constant expansion during the past few years. Company operates in a territory which is rapidly expanding.

The 5% bonds of 1940 of which $6,409,000 are issued are an underlying issue to American Power & Light bonds. Subject to a prior lien of $371,000 Portland Gas Co. first 5s they are a first lien on properties and are callable at 110 and interest.

The 1920 annual report is the latest yearly statement available and showed net earnings available for bond interest of $1,043,878 while bond interest amounted to $337,648. The 1921 year was much better and annual report to be published shortly will show considerable improvement in earning power.

Southwestern Power & Light

Southwestern Power & Light Co. is an investment company and does not operate directly but through its subsidiaries. Company is in turn controlled by American Power & Light Co. and properties are all well managed. Among companies controlled through stock ownership are Fort Worth Power & Light Co., Wichita Falls Electric Co. and El Paso Gas Co., in addition to other companies in Texas. Debentures of which there are $3,000,000 outstanding were only recently issued. Last annual statement for 1920 showed net earnings available for bond interest of $2,097,488 and interest charges on company's bonds proper amounted to $189,850. This does not include interest charges of $180,000 incurred by the recent debenture issue.

FOREIGN TRADE AND SECURITIES

(*Continued from page* 823)

Germany possesses several very great intangible assets among which are its propinquity to the Russian market, now in a state of chaos but possibly later on a large potential source of revenue; and the very fact that Germany's creditors for their own sake cannot permit themselves to force matters to go too far. It may be presumed that a serious attempt will be made by the Allies to protect the position of Germany for the common good.

In any case, however, it does not appear that the mark can ever be stabilized at a price to warrant speculation even at these levels. Certainly investors of moderate means should be very careful and not permit themselves to commit themselves to purchases of this currency any more than they should buy into an industrial corporation with a very uncertain outlook.

After all, speculation in foreign exchange is a business proposition like any other business enterprise. But before speculating, great care must be taken; and it is absolutely essential to have a correct view of the situation.

The writer does not desire to set himself down as one without belief in the power of Germany to eventually rise above her present distress and join the family of substantial nations. The world cannot afford to have a weak and hopeless Germany. But the difficulties in the way of rejuvenation of German finances are so great and the problems created are so stupendous that it does not seem a very wise thing for American investors to take chances on a possible upturn in marks when they have better speculative opportunities at home.

The writer recently had a conversation with a really clever business man—a man who knows a great deal about his own business but very little about foreign exchange. In this conversation, it was brought out that the business man had recently bought 500,000 German marks at $.0050. "Why did you do it"? he was asked. "Because the mark is so cheap, I don't see how I can lose anything on it."

Yet the mark is now $.0030 and the man quoted above has a very substantial loss to show. How many investors are led away by precisely the same argument used by this business man? Was this not the argument used when the mark was 4 cents, when it was 3 cents and when it was 2 cents? Yet in every case, those who speculated in marks incurred losses. Surely, the very fact that the mark is quoted at such an absurdly low figure should make thoughtful investors "stop, look and listen." "Danger ahead" is the sign. Only a reckless person would gamble on such chances, even conceding the possibility of profit.

WHY THE MOTOR ACCESSORY STOCKS ARE STRONG

(*Continued from page* 841)

been liberal, and a $10 rate is certainly all that ought to be expected. To keep a conservative margin net earnings ought to average around $7,000,000 yearly, particularly if $5,000,000 is to be expended in dividends. Floating supply of the shares is relatively small, because General Motors owns 300,000 shares of the 500,000 outstanding.

STROMBERG CARBURETOR

Stromberg Carburetor is a holding company, organized in 1916, and has outstanding 75,000 shares of stock, which constitutes the sole capitalization. Dividends at the rate of $4 a year were paid in 1919 and 1920 but were discontinued in January, 1921.

In the three years ended December 31, 1921, Stromberg averaged between $4 and $5 a share on the capital stock. The complete figures for 1921 have not been published, but in the nine months ended September 30, 1921, net income was $126,000, equal to $1.68 a share. As of that date balance sheet position was relatively satisfactory and the company appeared to have a comfortable treasury position.

Like all the accessory companies, Stromberg shares have had a substantial advance and at present levels of between 50 and 52 appear to be almost high enough for the time being. Of course, floating supply is small and fluctuations are likely to be wide. It is not the kind of a stock that should be dealt in on relatively slim margins and is not a "trading proposition."

If an average earning power of $5 a share can be restored, and chances would seem to favor that, the stock probably will be subject to further improvement, but it ought to be borne in mind that the present market level has pretty well taken into consideration the improvement in business so far registered.

GRAY & DAVIS

Gray & Davis is a small company which manufactures starting and lighting systems for automobiles. The corporation has been under the management of the American Bosch Magneto Company since 1920, under a contract which runs until 1936.

In the boom years of 1918 and 1919 Gray & Davis earned relatively large amounts upon capital stock but paid only one dividend, a declaration of 2% in 1920. In the year ended December 31, 1920, the company had a deficit of about half a million dollars, and the stock got down as low as 9½ in 1921. From that level it has doubled in price, principally because current billings are about three times the billings of the corresponding period last year. **The stock is too inactive for the average trader.**

DIVIDEND PROSPECTS AMONG THE PUBLIC UTILITIES

(*Continued from page* 849)

rent good earnings, it could easily go much higher under the stimulus of talk of an increased rate in dividends.

Capitalization of Columbia Gas & Electric Co. follows: Funded debt $16,813,668, capital stock $50,000,000, par value $100.

AMERICAN WATER WORKS & ELECTRIC CO. The annual report of American Water Works & Electric Co. showed that in 1921 net earnings after dividend payments on the 7% preferred stock were equal to $2.63 a share on the $10,000,000 participating 6% preferred stock, compared with approximately $1 a share in 1920.

The participating preferred stock listed on the New York Stock Exchange pays no dividends. It is understood that earnings at present are running approximately $5 a share on this issue. American Water Works is a holding company deriving the greater part of its revenues from holdings of stocks in water companies and other public utilities. Principal subsidiary is West Penn Traction & Water Power Co. In 1921 net earnings of this company available for dividends amounted to $4,511,258, against $3,907,801 in 1920.

Inauguration of dividends on the participating preferred stock of the parent company has been spoken of and stock recently got above 30 in an active market. A continuation of the present improved earnings could easily be followed by a $3 or $4 annual payment on the stock later in the year.

Capitalization of American Water Works & Electric Co. follows: Collateral Trust 5s $16,069,000, first preferred cumulative 7% stock $5,450,000, $10,000,000 6% participating preferred stock $10,000,000, common stock $9,200,000. All issues stock are listed on the New York Stock Exchange.

AMERICAN POWER & LIGHT CO. American Power & Light Co. common stock on which the dividend rate was recently advanced from $4 annually to $6 seems to have good possibilities. It is possible that in view of improved earnings, the directors later in the year may decide to inaugurate stock dividend payments on the common. The company is a holding organization and its subsidiaries have been showing remarkable increases in earnings. Latest consolidated earnings statement of subsidiaries shows that for twelve months ended January 31, 1922, gross earnings amounted to $24,475,678, and net after preferred dividends $4,336,445. This compares with gross of $22,101,824 during the previous twelve months and net of $2,921,576. Twelve month net after preferred dividend earnings to January 31, 1922, represented a 48% increase over the previous twelve months.

American Power & Light common stock is traded in over the counter and is selling around 100.

OVER-THE-COUNTER

IMPORTANT ISSUES

Quotations as of Recent Date

Aeolian Weber	.. 15
Pfd.	.. 65
American Piano	57– 63
Pfd.	80– 85
American Type Founders, com	47– 50
Atlas Portland Cement	47– 52
Babcock & Wilcox	109–111
Borden Company	99–101
Celluloid Co.	104–107
Childs Co.	106–108
Crocker Wheeler	40– 55
General Baking	97–101
Jos. Dixon Crucible	130–140
Ingersoll-Rand	145–155
H. W. Johns-Manville	400–450
New Jersey Zinc	141–144
Niles-Bement-Pond	51– 54
Phelps-Dodge Corporation	163–175
Royal Baking Powder Co.	105–110
Singer Mfg. Co.	96– 99
Stetson (John B.)	295–310
Thompson-Starrett	52– 60
Victor Talking Machine	1000–1050
Ward Baking Co.	111–113
Yale & Towne Mfg.	280–295

Atlas Portland Cement

Outlook Attracting Attention to Shares

AMONG the more interesting issues being dealt in in the over-the-counter market, shares of the Atlas Portland Cement Co. are being singled out for special mention. The common stock at this writing is quoted at $50 a share, offering a yield of 8% at this level from dividends at the rate of 4% now being paid.

The cement industry is one of the standardized branches of the building and construction field for which there is a steady demand under normal conditions. New uses for the material developed in recent years, combined with the increase in building, municipal improvements, road construction, railroad building and the like have broadened the market for the commodity and indicate a larger consumption ahead.

Atlas Portland Cement, organized over 22 years ago, has a total productive capacity of close to 19,000,000 barrels of cement per annum. Last year, the total production of Portland Cement in this country was approximately 100 million barrels, indicating that the Atlas Company's capacity amounts to nearly 20% of the country's output. The company's plant facilities include units at Copley and Northampton, Pa., Hannibal, Mo., and Hudson, N. Y. It controls the New York & New England Cement & Lime Co. and, in 1919, acquired the plant of the Standard Portland Cement Co., at Leeds, Ala., having 3,000 barrels daily capacity. Among other large contracts that it has handled, the company was awarded the original Panama Canal contract, calling for 4,500,000 barrels of Portland Cement, or the largest single contract in the history of the cement trade.

The capitalization of the company includes the following:

Funded Debt

$3,400,000 1st S. F. 6s, 1925.
3,400,000 Gen. & Ref. S. F. 6s, 1939.

Stock Outstanding

$2,700,000 8% Cumulative Preferred.
16,500,000 Common.

The preferred shares have received the full 8% each year from the company's organization.

Payments on the common have been as follows:

1899-1906—4%.
1906 (Nov.)-1910 (May)—8%.
1910-1919—None.
1919 (Sept.)-1920 (Dec.)—6%.
1921-1922—4%.

Suspension of payments on the common shares during the years from 1910 to 1919 was attributed to expenditures on plant expansion. A stock dividend of 50% was declared on this issue in 1920, and it is now receiving dividends at the rate of 4% yearly.

Under present conditions, it is believed likely that the business handled by the Atlas Portland Cement Co. will increase substantially in the current year. The fact that the company does not publish its earnings make the element of safety as regards its shares entirely a matter of conjecture, but assuming only a fair margin of profit from the increased operations now in sight, there appears little doubt of its ability to maintain current dividend requirements. A factor in its future earnings will be the upward trend in cement prices, which, at this writing, have recovered substantially from the recent low of $1.50 per barrel and are evidently trending higher from the current quotation of $1.70.

GREENE-CANANEA COPPER CO.

(*Continued from page* 854)

community of 16,000 inhabitants, located on a branch line of the Southern Pacific of Mexico, about 40 miles south of the international boundary.

The great mines of the company are the Veta Grande, Oversight and Capote, which contain large bodies of direct smelting ore, and also extensive deposits of concentrating ore. The mines are in a series of mineral belts about 2 miles wide and 6 miles long. The present company has performed over 100 miles of underground development work, which does not include over 50 miles of work done under previous management. Development of new ore has kept pace

with that extracted in working. The Capote mine has attained a depth of over 1,050 feet, and has ore on each level from the first to the tenth. The principal producing mines, of which there are more than a dozen, are all well equipped and yield a variety of ores enabling mixtures for efficient metallurgical operations. The company also owns the Sierra de Cobre property, containing about 2,670 acres, which it acquired by purchase from the Phelps-Dodge interests several years ago, and which has proved to be one of its largest and most profitable producers.

Facilities

The reduction works include a crushing plant, sampling mill, gravity and flotation plant, with a capacity of over 2,800 tons per day. Since the introduction of flotation at Cananea, it has become evident that the cost of concentration can be greatly reduced. Many improvements have been made since the plant shut down in January, 1921, and all equipment is in good order and ready to resume as soon as copper market conditions are satisfactory.

The smelting plant, including blast furnaces, reverberatories, roasting furnaces, and converters, has been kept in an excellent state of repair, and many betterments have been made. Apparatus to increase the efficiency of the power plant and blast furnaces has been installed.

And a Railroad

The company owns and operates 36 miles of standard and narrow gauge railway, over which it handles between 1,500,000 and 2,000,000 tons annually under normal conditions. Advantageous improvements have been made in the location of tracks at the works, and the road bed and rolling stock have been maintained in good condition.

Greene-Cananea has no funded debt, and its outstanding capital stock is represented by 500,000 shares, par value $100, of which Anaconda Copper Mining Co. owned 59,600 at the end of 1919, and in all probability controls indirectly considerably more than this.

During the company's last active year, 1920, it produced from its own and purchased ores: 43,672,939 lb. copper, 1,778,617 oz. silver, and 10,089 oz. gold. The refined copper was produced at a cost, including all expenses and federal taxes, of 16.3 cents a pound. The price received for refined copper sold during the year was a little over 18 cents a pound. Net income for the year amounted to $560,078, after charging off all expenses and taxes, and dividends amounting to $500,000 were distributed to the stockholders.

The balance sheet for 1920 showed a surplus of $7,897,387, and net working capital amounting to $6,900,000, comparing favorably with previous years.

Conclusion

The shares are in excellent technical market position. After selling up to 47½ in 1919, and 38⅛ in 1920, they descended as low as 15. During 1921 they have been accumulated between 20 and 25, rising to 29½ about the middle of December, since which time they have met support at around 26, near which figure they may be purchased in small lots at a stated price, with excellent speculative possibilities.

PHILADELPHIA RAPID TRANSIT CO.

(*Continued from page* 851)

total paid in capitalization of the underlying companies is $56,461,379.67, and the seven million dollar figure represents the return on that amount. It is of interest to note that P. R. T. has never defaulted on this approximate fourteen percent return to its landlords. A reduction of the return to eight percent, for instance, would leave ample funds to assure dividends to P. R. T. stockholders and for expansion, even with the possibility of a lessened fare rate.

Another Phase

There is still another phase of the situation at present that may tend to enhance existing values. It has been stated that the company is negotiating with the city for the operation of the Frankford Elevated Railway. That is a city built line, costing $15,000,000, which runs into the teeming industrial and residential districts of the northeast, roughly paralleling in its course the Delaware River. Residents of that district at present have only surface transit facilities, and the running time to the end of the district from the center of the city is well over an hour. With the Frankford "L" in operation it will be less than half that time. Vast tracts of vacant land along the river front will be developed for industrial purposes, and miles of flat farm land lie ripe for housing operations. A half dozen communities over the city and county line will be brought into speedy touch with the center of Philadelphia.

P. R. T. has offered to operate Frankford "L" under a contract requiring no return the first year, one percent the second year, two percent the third year and so on with an increase of one percent a year until the company is paying five percent on the city's investment. The Mayor is demanding a five percent return from the outset, but as stated before, the City Council seems to be in favor of the Mitten proposal, and at present it seems likely to be adopted. P. R. T. will have no expense whatever in equipping the line. The city has bought the cars, is providing station equipment and is even laying the cables for power supply, which is to be furnished by the Philadelphia Electric Company. Consummation of the lease agreement with the city will mean a tremendous enhancement of P. R. T. values.

Last year the company's net income was $1,807,292.59. With normal credit facilities this would have been sufficient to pay a six percent dividend. But owing to the peculiar conditions described, the company has been without the necessary credit, and it was therefore deemed advisable by the management to reinvest that income, thereby adding materially to the values back of the stock. The process was described by Mitten as "a picking up of work that it was impossible to accomplish during the war," in order to put the lines into condition for service. Unquestionably the company is in better condition today than it has been for some years. While it is impossible to forecast accurately what may be done by the Public Service Commission in the valuation matter, its action in ordering the seven cent cash fare a year and a half ago is an indication of its desire to protect the stockholders. It is not expected that the Commission will hand down any ruling that will impair values.

But even if one were to assume that the city's demand for a reduction of the valuation by one half were to be successful, it would not deprive the company of its one great asset of co-operation between men and management. The extent of this has been only partially indicated by the statement of the employee stock ownership. Conditions under which the stock was bought are of great significance. Five of the former directors started a fight to unseat Mitten and to block the bonus dividend to the men. A battle for proxies was waged prior to March 15, when the annual meeting was held. On their own volition the men went into the open market to buy stock to be voted for Mitten. At the stockholders' meeting a total of 520,637 shares out of a possible 600,000 were voted to retain Mitten in the management, and 35,869 shares declined or were unable to vote.

Conclusion

By this showing it was made evident that the vast majority of the stockholders evidently had reason to believe that the five opposing directors were really more anxious about the rentals to Union Traction and other underlying companies than the dividends of P. R. T. None of the directors was a very large holder of P. R. T. stock. As a matter of fact the stock is now generally held in small lots—three-quarters of it in blocks averaging one hundred shares. Tremendous savings have been accomplished by the management in ten years through co-operation, reductions having been made in accidents, insurance and general operating costs. The plans for "super-co-operation" now being perfected insure continued increase of earnings. Men are being taught the proper spacing of cars on the street to pick up all possible passengers. A campaign is under way to eliminate blockades, the net effect of which will be to make each car crew an emergency gang in the removal of obstacles. Savings will be accomplished by the reduction of the inspection force, for under the degree of co-operation now being attained the men will be their own inspectors.

Investors should not overlook the element of speculation in this stock. When that is taken into account, however, the possibilities of returns and the assurance of constant growth of values make the stock attractive. Men and management are pledged to pay a dividend of

six percent this year. For the future, any reduction in fare based on possible reduction of valuation must be accompanied by a shrinkage of the burden of rentals to underlying companies, thus automatically increasing the credit standing of the operating company. Philadelphia is a city of great distances in need of constantly expanding car lines and steady growth of revenue sources is assured.

WILL FARM LOAN BONDS DECLINE

(*Continued from page* 817)

undivided profits belong to the borrowers and will ultimately be fully distributed as conditions warrant."

Individual Marketing of Bonds

"Don't you think that more bonds could be floated if the several land banks were to make independent issues from time to time, as often as $50,000 of mortgages were accumulated, as contemplated in the original act?"

"I do not. It is the question of the individual against co-operative marketing. The issuance of small issues by the several land banks, sold individually, and indiscriminately, would, in my judgment, demoralize the market. The plan adopted by the Federal Land banks of concentrating their offerings in volume is co-operative marketing reduced to scientific application, and has proven entirely successful."

"Do you consider that the Federal Land banks have been as beneficial to the farmers, as it was hoped they would be?"

"Unquestionably so. I candidly believe they have far exceeded expectations. This may be inferred from the fact that within a nine months period the banks have sold $175,000,000 of Federal Farm Loan bonds to the public. When in the course of the enactment of the Federal Farm Loan Act, effort was made to have the Government become the purchaser, the amount was fixed at $50,000,000 per year. When during the exigencies of the war, Congress undertook to provide the funds from the Federal Treasury, for Federal Farm Loan bonds, they fixed the maximum at $100,000,000 per year. This may be fairly interpreted to be the maximum Congressional expectation. This goes to the question of volume.

"The Federal Land banks have relatively equalized farm mortgage rates throughout the country, reducing them in most sections, improved the term of loan, and emancipated thousands of debtor farmers from bondage of the 'lien merchant' and usurer."

INTIMATE TALKS WITH INVESTORS

(*Continued from page* 856)

tween 800 and 1,000 is evident. The writer knows, almost first-hand, that Mr. Harriman was very much on the job superintending the "marking up" process so common in brokerage circles, and kept the shorts on the jump receiving their checks (properly certified), and with the proceeds buying more Northern Pacific. The

matter was ultimately settled on a basis of 150 but the damage was done. The majority of shorts had already covered in the hundreds per share. The staggering losses that resulted caused an immense amount of liquidation on a market whose nerves were thoroughly shaken, and a panic resulted.

Stutz Corner

The Stutz corner had no ethical excuse. If we are rightly informed, back of it was a blow directed at a certain family, and an evening up of accounts. A celebrated and popular privilege broker, backed (it is said) financially by his brother—a prominent steel man—sold many calls on the stock; which was perfectly legitimate, and in the ordinary course of his business. When such calls get into the hands of "insiders," as probably happened in the Stutz affair, it becomes a clear case of having to buy (at a price) or settle.

Be extremely suspicious of stocks that seemingly sell above their value, and hold their price there. Like the virtues of a popular cereal, probably "there's a reason," and it is as well not to be too curious as to the reason by tempting fate with one's cash resources.

If one is constitutionally disposed to sell short because a stock looks high, a stop loss order automatically corrects grave errors.

HAS THE SMALL INVESTOR A CHANCE?

(*Continued from page 847*)

of those confounded I-told-you-so affairs" it won't do any good at all.

The Moral

It used to be that, whenever a man wrote a fiction story, he had to attach a moral at the end. It was a sort of assurance that readers of the story would understand what the author was driving at—protection against his work having been written in vain. It gave his stuff a point.

There are a good many morals to be derived from what has been written above. First, the main point, that there are substantial opportunities in $100-bonds and low-priced stocks for those who take the trouble to pick and choose.

Second, that picking and choosing pays. When the recommendations were made, stocks like Gaston Williams & Wigmore, Saxon Motor, Transcontinental Oil and a number of others were lower in price than some of the issues selected. In the time intervening, most of these issues have sagged lower, instead of moving up.

Third, that if you are financially equipped to speculate and determined to speculate, the place to speculate is the financial security market. Brains, schrewdness, patience, self-control, courage and independence of judgment have their reward here. An over-supply of all these assets won't help you if you are going in for thousand per cent profits in fake oil promotions, and the like.

Fourthly, that wise investment pays returns that make a knowledge of the business something more than worth while. A net profit of over 30% on one's holdings is a neat profit to have.

ROYAL DUTCH COMPANY

(*Continued from page 853*)

through purchase under certain conditions and guarantees as to dividend payments, from the Texas Co., control of the Central Petroleum Co. and their 23 subsidiary producing companies in the Mid-Continent field, comprising about 1,575 acres in fee, leases on 28,056 acres, six compression plants, producing 16,000 gallons of gasoline per day, and one absorption plant. The production from these holdings amounts to about 5,000 barrels daily.

The pipeline facilities of the Union include 421 miles of trunk lines and over 300 miles of gathering lines, with a total capacity of 90,000 barrels a day, and 20,000,000 barrels storage; five refineries, with a daily capacity of 65,000 barrels, a fleet of about 200 tank cars, and 158 domestic and foreign distributing stations in the United States, Hawaii, Chile, British

The pipeline facilities of the Union of California, in which Shell-Union own a 26% interest, include 421 miles of trunk lines and over 300 miles of gathering lines, with a total capacity of 90,000 barrels a day, and 20,000,000 barrels storage; five refineries, with a daily capacity of 65,000 barrels, a fleet of about 200 tank cars, and 158 domestic and foreign distributing stations in the United States, Hawaii, Chile, British Columbia, and Panama.

The subsidiary companies of the Union, which entered into the new combine are shown in the large table.

The Union has never paid a dividend. Earnings were in 1920 87c per share; in 1921, 65c per share.

On June 30, 1921, the net assets applicable to the 1,367,312 outstanding shares of capital stock were $49,878,868, or $36.48 per share; this was an improvement over the equity of $35.83 per share at the end of 1920.

The bank indebtedness at the time of the merger was $3,550,000, and Federal taxes due were estimated at $1,500,000; the company had approximately 6,700 stockholders.

The Merger

Under the consolidation agreement, ratified by the stockholders on November 17, 1921, the Shell-Union Oil Corp., with an authorized capital of 10,000,000 shares, no par, acquired all properties of the Union Oil of Delaware, including its holding in the Union of California, and certain American properties of the Royal Dutch Co.

The new company issued 8,000,000 shares, of which 5,760,000, or 72% were turned over to the Royal Dutch-Shell interests, and 2,240,000 shares, or 28% to the stockholders of the Union of Delaware. The Shell-Union paid the Union Oil $1,352,117 in cash, and will pay a balance estimated at $250,000 as soon as the audit, which is being worked out now, is completed.

The same men who have helped to bring the Royal Dutch to the prominent position in America this company now holds, will manage the Shell-Union combine. They are men of long experience, keen observers and hard workers. They know the world market, world finances, and the oil business

thoroughly. A number of prominent American bankers and captains of industry were elected on the Board of Directors.

The new company starts operation under the best possible auspices, backed by enough capital and resources for efficient and profitable operations.

Conclusion

The Royal Dutch, as one of the great oil combines of the world, is one of the strongest aggregations of capital in history. The company, like the Standard oil interests, is a permanent factor in the field and has to be reckoned with as a concern with a great future.

The stock which declined precipitously in the bear market of 1920-1921, now shows signs of stability and appears to be under accumulation. Dividends have aggregated about $5.30 a share and on this basis, Royal Dutch shares offer a yield of almost 10%, provided the rate of dividend of last year is continued. From the present financial position of the company and its brilliant outlook, the stock appears greatly undervalued and will undoubtedly have a good appreciation within a reasonable period.

IMPORTANT DIVIDEND ANNOUNCEMENTS

Ann. Rate		Amt. Declared		Paid to Stock of Record	Div. Payable
8%	Alliance Rlty Co....	2 %	Q	4- 8	4-17
$4	Allied Chem c	$1	Q	4-14	5- 1
$8	Amer Glue p	$2	Q	4-22	5- 1
7%	Amer Ice, c........	1¾%	Q	4- 7	4-25
7%	Amer Roll Mill, p.	1¾%	Q	3.31	4.15
7%	Amer Shipbuild, c..	1¾%	Q	4-10	4-24
7%	Amer Shipbuild, p..	1¾%	Q	4-10	4-24
7%	Amer Shipbuild, p..	1¾%	Q	6-30	7- 1
....	Amer Shipbuild, c..	20 %	Ext	4-10	4-24
$1	Art Metal Const ..	25c	Q	4-14	4-29
6%	Asbestos Corp, c ..	1½%	Q	4- 1	4-15
7%	Asbestos Corp, p ..	1¾%	Q	4- 1	4-15
$4	Asso Dry Gds, c...	$1	Q	4-15	5- 1
6%	Asso Dry Gds, 1st p	1½%	Q	5-13	o- 1
7%	Asso Dry Gds, 2nd p	1¾%	Q	5-13	6- 1
$4	Chi Pneumatic Tool	$1	Q	4-15	4-25
8%	Commonwlth Bdison	2 %	Q	4-15	5- 1
$1	Corn Pdts Ref, c..	$1	Q	4- 3	4-20
....	Corn Pdts Ref, c..	50c	Ext	4- 3	4-20
$7	Corn Pdts Ref, p..	$1.75	Q	4- 3	4-15
$2.50	Cosden & Co.	62½c	Q	4- 3	5- 1
10%	D L & W Coal	2½%	Q	4- 1	4-15
$8	Detroit Edison Co..	$2	Q	3-31	4-15
$8	Diamond Match Co.	2 %	Q	5-31	6-15
$7	Duquesne Light, p.	$1.75	Q	4- 1	5- 1
8%	Elgin Nat Watch..	2 %	Q	4-20	5- 1
$8	Eureka Pipe Line..	$2	Q	4-15	5- 1
7%	Federal Sugar, p...	1¾%	Q	4-21	5- 1
6%	Federal Sugar, c...	1½%	Q	4-21	5- 1
$6	Gen Motors Corp, p.	$1.50	Q	4- 7	5- 1
$6	Gen Mtrs Deb stock	$1.50	Q	4- 7	5- 1
$7	Gen M 7% deb stk	$1.75	Q	4- 7	5- 1
$6	Int Paper, p.......	$1.50	Q	4- 7	4-15
4%	Kans City South p..	1 %	Q	3-31	4-15
7%	Lima Locomotive, c	1¾%	Q	5-15	6- 1
7%	Lima Locomotive, p	1¾%	Q	4-15	5- 1
8%	New Jersey Zinc ..	2 %	Q	4-29	5- 1
5%	NY Central	1¼%	Q	3-31	5- 1
$5	NY Chi & St L 1st p	$1.25	Q	4- 8	4.20
$5	NY Chi & St L 1st p	$1.25	Q	6-19	6-30
$5	NY Chi & St L 2nd p	$1.25	Q	4- 8	4-20
8%	Otis Elevator, c ...	2 %	Q	3-31	4-15
6%	Otis Elevator, p ...	1½%	Q	3-31	4-15
$3	Phila Company, c ..	75c	Q	4- 1	4-29
$3	Phila Company, p ..	$1.50	SA	4- 1	5- 1
7%	Phillips Jones, p ..	1¾%	Q	4-20	5- 1
5%	Pittsburgh Coal, c..	1¼%	Q	4- 7	4-25
6%	Pittsburgh Coal, p..	1½%	Q	4- 7	4-25
6%	Pitts & W Va, p ..	1½%	Q	5- 3	5-31
8%	Procter & Gamble, p	2 %	Q	3-25	4-15
$7	Pub Serv of N Ill, c	$1.75	Q	4-15	5- 1
$6	Pub Serv of N Ill, p	$1.50	Q	4-15	5- 1
6%	Pub Serv of N J, c	1½%	Q	3-31	4-29
8%	Pub Serv of N J, p	2 %	Q	3-31	4-29
8%	Reading Co, c	2 %	Q	4-18	5-11
12%	Std Undergnd Cable	3 %	Q	4- 4	4-10
....	Std Undergnd Cable	3 %	Ext	4- 4	4-10
$2	Transue & Williams.	50c	Q	4- 5	4-15
4%	Truscon Steel, c ...	1 %	Q	4- 5	4-15
7%	United Drug 1st p.	1¾%	Q	4-15	5- 1
$1	United Verde, Ext..	25c	Q	4- 3	5- 1
7%	United States Fin, c	1¾%	Q	3-23	4-15
$3.50	U S Smelting, p ..	87½c	Q	4- 6	4-15
7%	West, Union Tel ..	1¾%	Q	3-25	4-15

FINANCING THE SMALL BUSINESS MAN

(*Continued from page 826*)

What Is a Loan Shark?

The following are two comprehensive definitions of the term "loan shark":

A "loan shark" is a person, partnership or corporation engaged in the business of loaning money in large or small amounts, at a higher rate of interest than is consistent with a fair profit on the capital employed and the risk incurred, and who in the operation of the business, employs deceptive or misleading methods and disregards established law and fair dealing with patrons.

A "loan shark" may be a man or corporation who in addition to exacting a greater rate of interest than the hazard requires, conducts the business of making loans in an oppressive manner, using devices in collecting based on threat and force.

We know definitely that in states where there is no small loan legislation, the minimum rate clandestinely charged is 10% a month. Twenty per cent a month is quite frequent, and some loans have been found to be made at from 500% to 1,000% a year, and some even above that. For many years the standard loan shark rate in all states, and still the rate in many states which do not legalize the necessary compensation, was and is on the basis of adding 50% to the loan and making the amount payable, without interest, in twelve weekly instalments. A loan of $25 would require twelve weekly payments of $3.13 each. A loan of $50 would require twelve weekly payments of $6.25 each. These are authentic figures, reported by police departments, Grand Jury records, Legal Aid Societies, etc.

Some of the confidential instructions issued to loan shark managers, which were captured in a raid about three years ago, include the following choice morsels: "Bluff the borrower by rattling papers in your desk. Pretend to phone to an attorney but hold the phone closed.—Give your customer good hard roasts. You can say anything you like to a customer in a sealed letter so long as it is not criminal threats, immoral or indecent.—We need managers with bull-dog determination.—Get some attorney who will sell you his legal letterheads and then write your customers upon them. Send out legal looking notices, such as 'garnishee demand,' 'demand notice,' 'notice of judgment,' 'original notice before suit,' etc."

Ousting the Loan Shark

Among the pioneer figures in the campaign against the extortionate money-lenders, we find the Russell Sage Foundation, Division of Remedial Loans, New York, the Salvation Army and the Legal Reform Bureau to Eliminate the Loan Shark Evil. Reform loan laws were advocated and passed by several states providing that money-lenders of small loans shall be licensed and supervised by the state banking department. These laws require a substantial bond payable to the State for any persons aggrieved. In Arizona, Connecticut, Georgia, Indiana, Iowa, Michigan, Maine, New Hampshire, New Jersey, Pennsylvania, Maryland, Virginia, Utah, and Colorado, the State Banking Departments license and supervise the money-lenders. In certain other states licenses are issued by other officials. In Massachusetts, for instance, by the Supervisor of Loan Agencies; in Indiana by the Auditor of State; in Illinois by the Director of Trade and Commerce; in Virginia by the Banking Division of the State Corporation Commission.

The Loan Shark's Substitute

To criticise the loan shark and legislate against him were not enough; he had to be supplanted—in other words, his critic must become his substitute. As A. H. Ham, Esq., director, division of remedial loans of the Russell Sage Foundation, New York, said in an address before the Academy of Political Science at New York, in 1911:

"A successful program for minimizing the evils of small loans must include competition and constructive legislation. The competition must take the form of semi-philanthropic loan agencies in the pawnbroking and chattel-loan fields supplemented by the investment of honest capital on a reasonable money-making basis. Let us not forget that the operation of loan agencies under conditions approaching justice will do more to remedy the small loan evil than any number of laws based on suppression."

And Hon. Raymond B. Fosdick (then Commissioner of Accounts of New York City and later U. S. Commissioner of War Camp Activities), in an address before the Academy of Political Science, in 1911, said:

"Before any campaign to oust the loan shark can be effective, there must be some agency equipped and prepared to take his place. Indeed, no campaign of extermination will ever succeed. No amount of condemnation will ever be effective. No negative laws, however drastic, can permanently relieve the present abuses. As long as we have citizens who want to borrow money—and we shall always have them—so long will loan agencies of some kind continue, and it is only the better sort that will succeed in driving out the worse.

"So I say that any constructive program, such as the one that Mr. Ham has outlined today, which aims at the substitution of remedial loan institutions for loan sharks, is the only plan which can effectively and permanently improve the situation."

In accordance with this thought, Beneficial Loan societies were organized in 1913. The services rendered by Beneficial societies have been found as necessary and legitimate as the services rendered by commercial banks. They are conducted upon a high plane of good faith, fair dealings and sound business principles. In the eight years of their successful operation, undergoing a gradual growth

from one loan office to twenty-seven, Beneficial loan offices have proved the statement of Hon. Edwin R. Cox, member Pennsylvania legislature, in November, 1918, when he said: "There is no reason why a small loan institution cannot be made as respectable as a Federal Reserve Bank."

Do Not Compete with Banks

Banks and Beneficial loan companies do not compete, and can never be competitors, as they seek different types of customers, and render a different class of service, under different conditions. Banks finance big business, the loan companies finance the needs of the average man. To compare bankers and Beneficial money-lenders is impossible. Most of the men engaged in both lines are earnest, capable, sincere and worthy, and neither suffers in dignity or importance by comparison with the other.

As bankers and money-lenders are both engaged in the legitimate and laudable service of supplying the loan needs of the public, they have a mutuality of interest and a similarity of purpose which ought to make them work well together. There is certainly no competition between them, as money-lenders do not receive deposits or make large loans, and although banks occasionally make small loans, it is not their usual or best sphere of service.

Public Recognition and Encouragement

As small loan societies must be established with ample capital to make the good loans asked for, many good men have enlisted their moral and financial support, by investing and otherwise aiding. Men of the highest standing in many states have done this with Beneficial societies and others.

Chambers of Commerce, Boards of Trade and other commercial bodies in the principal cities of the country have admitted to membership their local Beneficial loan offices, because they have long been aware of the stability, backing, and public service of these societies. In a measure, they consider it to be a duty to give them full recognition and extend their moral support to every helpful public service in their cities.

This loan reform movement is also recognized and endorsed by ministers, philanthropists, social service workers, charity organizations, economists, and many public-spirited men, who understand the public service rendered by Beneficial loans.

Well Regarded in Many Sections

In cities of every section of the country, certain loan societies are locally well known and respected, because of the high class of citizens financially interested and who lend them moral support. It appears that usually they have obtained their loan capital from a few persons, their securities have not been offered to the general public, so it has not required any action or interest to call forth campaigns of publicity or to exploit the attractiveness of such securities. This is why such securities have never heretofore become popularly known and generally traded in and are still outside the range of speculation.

U. S. STEEL CORPORATION
(*Continued from page* 837)

very great improvement has occurred from the prostration level of 1921, when operations of the Corporation were reduced to less than a third of its capacity. Steel's plants are now working at close to 70%.

The improvement in demand, resulting in great part from the stabilization in prices, has already caused upturns in some departments of the trade and there are those who look for a new period of price advances in the not far distant future. One of the most active branches is structural steel, demand for which has responded to the active building campaign now getting under way. The railroads are in the market to a greater extent than for several years past; and there is an improving demand for sheet steel and tin plate.

No discussion of the steel industry is complete without some reference to the unfilled tonnage figures. A chart accompanying this article pictures the trend here. The broad swings in the tonnage figures from an exceedingly interesting study, in the light of two facts: First, that in the past 22 years, each one of these broad swings has taken four years, almost to the dot, to spend itself. Second, that the present finds the trend line at, or very near, the end of one of these 4-year periods, *and with tonnage at the average lowest point.*

Conclusions

U. S. Steel is represented in the stock market by the following:

Outstanding
$174,326,000 10-60 Year Sinking Fund 5s, 1963.
$360,281,100 7% Cumulative Preferred.
$508,302,500 Common.

Interest on the bonds, popularly known as the "Steel Sinkers" has been amply earned every year since the Corporation was formed. Also, their margin of safety, already large, is increasing each year as a result of sinking fund operations. Selling at 102 1/8, the issue offers a yield of less than 5%, or about the average yield now obtainable in investments of this character.

The preferred stock is selling at 117, to yield about 5.6%. Dividends on this issue have been amply covered every year but one—1914—and it is regarded as one of the safest preferred stocks.

Steel common is selling at 96, to yield only a little over 5.2%, or less than Steel preferred. Attention was directed to this issue by Mr. Wyckoff in August, 1921, when the price was 21 points below the present market. As many of the conclusions then reached still hold true it is of interest to republish them, in part, here. Referring particularly to Steel common, Mr. Wyckoff said:

> **"In the next period of prosperity, which Judge Gary says should not be far distant, the Steel Corporation should not only earn, but be in a position to disburse dividends on a more liberal scale than heretofore. This, of course, refers to its regular and not to extraordinary dividends such as those paid during the war. Its record surely generates confidence, and that is why, when other 5% common stocks are selling at $20 to $30 per share less than U. S. Steel common, investors are buying Steel, because the big corporation is as sound as a dollar and its future earning power is secure."**

The price of the common reflects even more vividly today than it did eight months ago, the Corporation's immense earning power, rather than the current rate of dividends. As stated at the beginning of this article, the common shares are becoming more and more of investment calibre as time goes on. If the present upturn in the steel industry continues, the common would be logically in line for a larger disbursement which fact no doubt is at least partially responsible for the present selling price.

PERE-MARQUETTE RAILWAY CO.
(*Continued from page* 833)

writer, than such stocks as Kansas City Southern, St. Louis Southwestern and St. Louis-San Francisco despite the fact that in recent years these roads have shown larger balances earned on their common stocks. While these securities are excellent long pull speculations and should continue to work higher, Pere Marquette common has a much better chance of receiving dividends within the next three years because earnings will not have to be put back into the property to such an extent as will the earnings of the Southwestern roads for the purpose of building them up to the value placed on the books. Deferred maintenance, however, will have to be made up as shown in a succeeding paragraph.

I. C. C. Valuation

The tentative Interstate Commerce Commission valuation of the Pere Marquette property and equipment placed that account at $69,928,000 as of June 30, 1914, compared with a book value of $89,400,000 on the same date. Assuming the value of road and equipment today amounts to the same percentage of the commission's valuations as in 1914, that is about 78%, this account would now stand at about $95,700,000. This would be sufficient to entirely cover the bonds and preferred stock and leave an asset value of $60 a share on the outstanding common.

Deferred Maintenance

The one drawback to any dividends on the common this year and possibly next is the rather poor condition of the road's equipment and the need for much construction work on the property. The latest report of the Interstate Commerce Commission shows about 15% of the company's freight cars and 25% of the locomotives to be unserviceable. Prior to 1920 Pere Marquette has not charged off sufficient for maintenance and as a result both its road and equipment are not in the best condition. For the five years ended Dec. 31, 1919, on an average of about 29% of gross revenue was expended for maintenance, whereas this percentage should normally run between 35 and 40%. In 1920 37.3% was expended for maintenance and in 1921 about 34%. This ratio should continue to rise as traffic conditions improve and better business enables the road to put its old equipment in shape. Pere Marquette within the last eight months has purchased about 15 new steel coaches and baggage cars and about 500 new automobile 40-ton capacity box cars and is now in the market for an additional 500 box cars.

In the near future the road will probably start construction on an 8-mile line around the outskirts of Flint, Michigan, for the relief and diversion of the present freight traffic received from this city. This additional mileage will improve the road's yard facilities in Flint and help develop the territory on the outskirts of this city, which at the present time is very sparsely settled.

If traffic conditions are good during the next two years the road will undoubtedly bring both the property and equipment into sound shape. In the meantime the common stock should continue to work considerably higher in anticipation of the sound position it will undoubtedly eventually hold.

Earning Power

As for earnings, the accompanying table gives the balances earned on the common stock since organization.

PERE MARQUETTE EARNINGS

Per Share of Common

1917	$1.30
1918	1.10
1919	7.30
1920	....
1921	3.75

For the first two months of the current year earnings were about 400% ahead of the corresponding period of 1921. Gross revenue for the month of February was about 10% larger than in the previous month and 23% larger than in the corresponding month of 1921. This is an abnormally heavy freight movement for February, usually the poorest month in the year.

The greatly increased production of automobiles and heavy shipment of coal to the manufacturing plants in Michigan in anticipation of the coal strike probably accounted for the exceptionally good showing.

Pere Marquette common has not advanced very much in this last railroad market and appears to be a very attractive speculation around current levels. With a demonstrated earning power during years of high operating costs, an estimated asset value of 60 cents on the dollar on the common, industrial conditions in Michigan improving rapidly and the outlook for one of the best years in the history of the company, the writer feels little hesitancy in forecasting for this stock substantially higher prices.

CURRENT BOND OFFERINGS

(Continued from page 863)

interesting feature is the paucity of new industrial offerings. This is only a temporary phase, however, as it is understood that several important companies will soon enter the market for funds through the flotation of new bonds.

A noteworthy feature is that despite the already large advance on the bond market and the tremendous amount of public participation in new issues, investment demand is actually increasing. Probably at no time in its history has the bond market shown such an exceptional and sustained advance. From present indications, it appears that investment demand will continue to grow.

WILL THE BUCKET SHOPS COME BACK?

(Continued from page 821)

If the characterization of the illicit broker is relayed to the subject of comment, the bucket shop merely says: "Why, they haven't got your stock in the box; and they are simply stalling to gain time so that they can go out and buy them."

If the honest broker, on the other hand, makes no criticism, and promptly transfers the account; and if, later on, the bucket shop closes its doors; the victim denounces his original broker for turning over his securities and equities to a crook.

However, when this woman client instructed her Stock Exchange broker to deliver her account to this firm, whose reputation was shady, the request was complied with. The firm, however, did go so far as to suggest to the woman that she give instructions to her new brokers that her securities were not to be disposed of. She did so.

Included in the batch of securities handled, was a certificate for 100 shares of a stock that is not listed on any exchange but is traded in "over the counter"; that is to say, when a broker wishes to buy or sell "over-the-counter" stocks he telephones every broker he thinks might have a bid or offer in that stock, and endeavors to locate a seller or buyer.

As it so happened, there is only one firm in the Street which really specializes in the particular stock that was turned over to this illicit brokerage house. By the irony of fate this specialist was the New York Stock Exchange House which had held the account originally.

Like all crooked brokers the bucket shop maintained an unlisted department, through which it marketed, as rapidly as it could, all over-the-counter securities which came into its possession. Where the stock had come from the "unlisted trader" of the bucket shop did not know. He knew only that in the list of securities turned over to him for unloading was 100 shares of—let us call it Dumb Bell Extinguisher—and he immediately called up the only specialist he knew in that particular stock. The result was that the legitimate broker who had delivered Dumb Bell Extinguisher to the crooked firm, bought back the stock on the same day through its unlisted department. After the certificate was delivered on the following day it was discovered to be the self same certificate that had reposed for several months in its own box as part of the account of this woman client.

Having succeeded in pulling the wool over the eyes of some one or other, the bucket shop had managed to get a New York Stock Exchange ticker, keeping it clicking merrily in its customers' room. But when the Stock Exchange firm found this certificate had been sold out, it presented the case to the proper authorities of the New York Stock Exchange. Without further ado the New York Stock Exchange ripped out its ticker.

Now a crooked broker can get along without a New York Stock Exchange ticker if only be can get quotations somewhere—but if first he succeeds in securing a Stock Exchange ticker, and then loses it, he is done. Formal announcement by the New York Stock Exchange that the ticker has been discontinued immediately starts a run by customers. Then comes collapse, and the closing of the doors. These gentry only always see to it that the bank balance is kept as small as possible, and that the other tangible assets are also at a minimum. Being thus slim-waisted they are in no position to stand under the heavy demands upon the part of the victims, who bear the courtesy titles of customers or clients. Whatever the crook manages to draw out when business is flourishing is either spent in high living or is salted away against the day of lean pickings.

This, and not the demise of the silent partner with the B. R., caused this bucketeering firm to cease operations.

Yet it is not only this man who contemplates returning to the highway and byways of the Wall Street district. As he sat there talking to me I observed six or seven others, around at various tables. Curiously, they were not alone; each had a luncheon partner, and if one watched closely, he would have observed that in no case did the luncheon partner pay the check. The bankrupt took care of that. Nor did they give any indication that they knew each other than an occasional distant nod.

"I see," observed the one who had insisted on forcing his attentions on me, and who had now drawn a chair from a near-by table, and sat there with the apology that he had finished his own lunch but was in no hurry to leave.

"I see," he said, "that Brown has a good looking prospect with him over there at the table with him; he is lining him up all right. I hear that he is going to open up just as soon as he can get his *dis*charge. I guess that is the guy who is to back him. Walter is a pretty wise guy himself, and I guess he salted away a good part of that million and a quarter he cleaned up when he and his partner liquidated his other business a year ago. What broke his back was trying to carry another firm under another name. That was all right in a way, because it made it possible for him to do a lot of cleaning without taking another firm into his confidence.

"The trouble was he was trying to expand both houses and began putting out too many branches. He probably figured that when it came time to blow, only one house would have a run on it at a time. But both houses got a kick at the same time, and that was the end of the two of them."

His gaze wandered around the room; he has a roving restless eye. Anyhow it never meets you squarely. If, at any time you catch them, for a fleeing second, he tears his gaze from you in a manner that suggests a fright. Then he broke out again:

"Look at Sam over there—he used to be with Walter. I understand they have given Walter's receiver a good break and Sam is going to open up in Walter's old office under his own name. It was an inside job, you know. The petitioners for the bankruptcy were employees and Walter has taken care of them all right.

"That fellow with Sam is Whitehall. He backed them before, you know, and recently was B. R. for another crew. I guess—by the way Sam is talking to him—they have everything framed up for the new deal.

"Well, so long," he said, as he arose to his feet and started to go. "Guess I will toddle uptown. There's a fellow from St. Louis up at the Waldorf whose got a lot of 'jack' and if I can pry him loose from some of it I've got a little game that will keep me going and out of the limelight down here until it is safe to open up again.

"I am going to take an agency for some Radio 'phone sets and send a crew of salesmen selling wireless outfits to all the country farmers near New York who take summer boarders."

SECURITIES THAT MEXICAN RECOGNITION WILL AFFECT

(*Continued from page* 815)

neighbor is, or should be, of vital interest. A vast underdeveloped country, potentially rich in natural resources, she holds a latent buying power for our manufacturers. The Baldwin Locomotive works has led the way so far in securing business in Mexico.

Compiled in a table preceding, is a list of the securities of the principal American companies operating in Mexico, or whose interest is almost wholly in Mexico. As the conditions in that country determine their prosperity in proportion to their investment so this is reflected in the prices of their securities on the exchanges. Of course other elements enter into price fluctuations, but the fundamental factor is earnings, which in turn should be increased by normal conditions in Mexico. Such companies as Mexican Petroleum and Intercontinental Rubber depend entirely on conditions in Mexico.

Mexico is slowly becoming stabilized and placed on a sound footing. Of course, on reviewing Mexico's past ten years of political change, revolution and disorder, one might say undue optimism is out of place. Naturally the record prejudices people when Mexico is mentioned, and one is inclined to argue as to why there cannot be another outbreak or revolution any day? However, all happenings in the past year tend to bely such a supposition. It is not so generally known nowadays that Mexico, under the rule of General Diaz, was for many years peaceful and prosperous. From all indications to date, it would seem that such a condition is again being approached. Mexico properly and earnestly desires the recognition of the United States, Great Britain, France and Belgium. There is no doubt that recognition is near and that the result should be beneficial to holders of Mexican securities proper, and those of companies now operating in Mexico.

INVESTMENT OPPORTUNITIES IN COPPER BONDS

(Continued from page 829)

practically $10,000,000 was in cash, money on call, and Liberty Bonds. Current Liabilities were less than $4,500,000, which represented current items and accruals, the company being entirely free of any bank loans.

The 7% bonds of 1923 are convertible into stock of the Company at par, $25 per share, which is equivalent to 4 shares of stock for each $100 of bonds. Thus every point above $25 per share at which the stock might sell would cause a rise of 4 points in the price of the bonds.

As the bonds mature May 1, 1923 it is evident that the company must within the coming year consider how they will be taken care of. At the present time this stock is selling at approximately 18 or just 7 points below the conversion level. If the copper situation turns out as favorably as expected and if 1922 continues to be a Bull year in stocks, it would not be particularly difficult for parties interested to run the stock up above the conversion level in order to get the 7% bonds converted and out of the way. This would be a much simpler method (and more desirable from the company's standpoint) of taking care of the maturing obligation than by paying off or refunding. That such a thing is quite possible was demonstrated in 1919 when the stock sold at 29¼, although net earnings for the year resulted in a deficit of about $2,200,000.

Company's Copper Deposits

The company's properties which are principally located in Chile, South America, are reported to contain huge copper deposits and the equipment is capable of handling large quantities or ore. Chile's mines have not been closed down but production has been on a somewhat reduced scale. The company has announced that even on this reduced output, costs, including selling and delivery expenses, were running slightly in excess of 11 cents per pound. These costs will undoubtedly be further reduced when the company gets on a higher production basis and any increase in the market price of the metal might quickly turn an operating deficit into a substantial profit.

The 6% bonds of 1932 are outstanding in amount of $35,000,000. They are of course not as well secured nor as desirable an investment as the 7s. They are convertible into stock at the rate of $35 per share which, likewise, is not as attractive as convertible provision contained in the senior issue. However, they are selling at an attractive yield and their long pull possibilities are by no means to be overlooked.

Cerro de Pasco 8s

The Cerro de Pasco 8s are an excellent bond from a standpoint of security. They are not secured by mortgage but are the only outstanding funded obligation of the company and the indenture provides that no mortgage can be created or a lien placed on the securities of subsidiaries without equally securing the 8% bonds. The company's total net assets as at December 31, 1921, after deducting all liabilities and very liberal allowances for depletion of mines, amounted to over $40,000,000 behind the $8,000,000 bonds.

The bonds are convertible into stock at $33⅓ per share or 3 shares for each $100 bonds, so that each point that the stock might sell about 33⅓ would cause an appreciation of 3 points in the price of the bonds. At the present time the stock is selling at about 36 which would give the bonds a value of about 108. The bonds, however, are selling at about 114, indicating that investors are willing to pay a premium of about 6 points for the convertible privilege.

One of the Few Money-Makers

The company has continued producing throughout the year and although no detailed figures of income have as yet come out it was reported last November that the company was one of the very few actually making money on operations. The stock paid dividends of $4.00 in 1916; $5.75 in 1917; $5.00 in 1918; $4.00 in 1919 and in 1920, and 50 cents in 1921, dividends having been discontinued in May of that year. The high point for the stock was 67½ in 1919 and if it should sell there again the bonds would be worth at least 202½. If the stock should have only a moderate advance from its present price, say to about 41 or 42, the bonds would be worth in the neighborhood of 125 or more. These figures clearly indicate the very attractive speculative possibilities of the issue.

On the other hand it must be remembered that the bonds are callable at 105 and the company is in a position to force conversion by calling the issue. It is not likely, however, that this would be done until the stock is in a strong enough market position to withstand the selling pressure that would undoubtedly come about through bondholders realizing conversion profits.

All in all, these bonds offer a very "conservative gamble" with the odds greatly in favor of the purchaser. At their present price of 114 the yield to maturity (providing for the amortization of the premium) amounts to about 5½%, whereas a very moderate rise in the price of the stock would mean a rather extended move in the bonds. From an investment standpoint the bonds are undoubtedly safe and it would seem that even at their present high price profit possibilities are large.

U. S. Smelting 6s

U. S. Smelting, Refining & Mining 6s are convertible into the common stock of the company (par $50) at $75 per share. The stock is now selling at about 37 so it has quite a way to go before the convertible privilege of the bonds would become operative, but as a long pull proposition the chances are not bad. The 6% Notes, however, have very good equities behind them and on their present yield basis of about 7% constitute a very fair business man's investment. Following the $12,000,000 Notes there is outstanding $24,317,500 7% cumulative preferred and $17,-

555,888 common stock each of $50 par. Dividends have been paid regularly on the preferred without interruption since organization in 1906 and in the seven prewar years, 1907-1913, inclusive, disbursements on the common averaged about 4¾% per annum, 10% having been paid in 1917 and 1918, 10½% in 1919 and 12% in 1920. Earnings for 1921 have been reported at about $3. (6%) per share on the preferred stock or about fifty cents per share short of dividend requirements, these earnings, however, indicate that the interest on the 6% Notes was covered by a very safe margin.

Seneca Copper 8s

Seneca Copper Co. 8s of 1925 are a small issue of $500,000. They are followed by 350,000 shares of no par value stock which at the current market price of about 14 indicates an equity over and above the debentures of nearly $5,000,000. These debentures are convertible into the stock at the rate of 5 shares of stock for $100 bonds. Several months ago the stock was run up to over 25 and as each point about 20 caused an appreciation of 5 points above par for the bonds, they sold up to 126. As several changes have recently been made in the company's management it is quite possible that the spurt in the stock was the result of accumulation by the new interests. A balance sheet, dated July 1, 1921, showed a weak working capital position with current liabilities in excess of current assets. The bonds must be looked upon as quite speculative but if the stock should ever have a real big upward movement the profit on the bonds would be exceptionally large.

Other Issues

Among the other issues on the list the Anaconda, Braden and Kennecott issues stand out as sound issues well protected by pledged collateral. Anaconda is distinctive as being the largest potential copper producer and Kennecott (which also owns Braden) as one of the very lowest cost producers.

The Copper Export Notes are secured by actual copper metal pledged at 10 cents per pound and this collateral is just as sound as if there was an equal value of gold behind them. The Granby issues are not particularly distinctive. Both bonds are convertible, the 6s into stock at par ($100) and the 8s into stock at $55, but with the present price of the stock at about 27 it has a long way to go before the privilege will be of value. The 6s are a First Mortgage issue and have very large equities behind them—about $13,000 per $1,000 according to the December 31, 1920 balance sheet—but the working capital position was quite weak and the amount of cash on hand low, which, to a certain extent detracts from the issue.

The Copper Range Railroad is controlled through stock ownership by the Copper Range Company. The road operated about 116 miles in the Lake Superior copper district in Michigan and has contracts with several copper companies for hauling their ores. The bonds are a first mortgage and are outstanding at the rate of less than $20,000 per mile of road. Under normal conditions the road has an assured tonnage and the bonds are entitled to a good investment rating.

A NEW INFANT INDUSTRY

(*Continued from page* 835)

eral Electric and Westinghouse are the manufacturing units of the ring. The Radio Corporation is the general distributor, solely entitled to handle the patented apparatus which they manufacture.

It would not be supposed that the manufacture and sale of these small sets would compose more than a fractional part of the big electrical company's business. Nevertheless, it is a substantial adjunct.

How great a demand there has been for the Radio's products is evidenced by the figures on plant production. Remembering that "vacuum tubes" are, practically, an essential equipment in radio sets, it is interesting to note that, before the public demand for apparatus set in, production plans called for an output at the rate of 6,000 vacuum tubes per month. As a result of the remarkable increase in demand since, output scheduled has been raised to 150,000 tubes per month!

An interesting departure in the broadcasting field is the toll station idea. American Tel. & Tel. is expected to open one of these stations in the near future. Innumerable other departures are looked for and the field seems capable of enormous development. Broadcasting is still an infant industry; but it has grown up, overnight, in response to a universal public demand, and looks to be here to stay.

Other companies are, of course, prominent in the manufacture of radio apparatus, but if all the small fry engaged in the field were listed, the list would fill a book.

Allied Interests

There are two fields connected with this infant industry which are proving sources of profit to many concerns. They are manufacture of parts and distribution.

Among the parts manufacturers, it is probable that those who are finding the field most profitable are the battery manufacturers. Into their laps has fallen a new source of demand for the one thing they make. Instead of having to tool up, all they have to do is to speed up. Chief among these are Union Carbide & Carbon and Electric Storage Battery.

Among the distributors there are, again, innumerable small fry, and a certain few standard concerns. In the latter group, it is probable that the two most active distributors of both sets and parts are Manhattan Electrical Supply and Winchester Arms.

With close to 1,000,000 receiving sets in operation today; with the demand for apparatus still far in excess of supply; with the wonders of radio still only half realized, there is reason to believe that a long period of activity in the wireless industry is ahead. Securities of companies in this field have already reflected this belief and annual reports for 1922 are likely to reflect it more emphatically.

On the other hand, investors might well bear in mind that radio-telephony comes close to being the highest science in this generation, and that the complexities it involves are enormous. Intense competition, patent litigation and new inventions are on the horizon.

RAIL EARNINGS ON THE UP TREND

(*Continued from page* 834)

Results of operation thus far this year have even exceeded the writer's optimistic statements in previous issues of The Magazine of Wall Street. The outlook for the roads at this time is brighter than it has been in several years. Railroad securities have been discounting improved conditions since the first of the year, but still have a long road to travel to reach the rating they enjoyed in pre-war years. The trend of prices is definitely that way.

An Explanation of Some Figures in the Railroad Earning Table

Lest readers of The Magazine of Wall Street misconstrue some of the figures contained in the accompanying table when comparing them with the complete results for the year 1921, the writer deems some explanation necessary.

Such roads as Illinois Central, St. Louis-San Francisco, Norfolk & Western and New York, Chicago & St. Louis, which reported substantial balances earned on their common stocks in each month of last year continue to show large balances earned on the common and comparison between estimates based on the first two months of operation this year with the complete reports of 1921 present a true picture of the situation, but the estimates of such roads as Atchison and Canadian Pacific might be misleading when compared with the previous year. The earnings of these two roads in the first four months of 1921 showed very small balances available for the common and it was only beginning with the month of May that earnings took a sharp rise and continued to mount to the end of the year. The report of Atchison for the first two months of 1922 was considerably better than for the corresponding period of 1921, when operations resulted in an operating deficit of $334,718. It will thus be seen that unless there is a heavy falling off in traffic during the rest of the year this road should at least equal its 1921 showing, with considerable possibility of earnings exceeding the last year's results.

New-Book Letter

The Americanization of Edward Bok

Here is the living story of one of America's most successful and most interesting self-made men—a man who came to this country as an immigrant in his early youth and who, by applying common sense and humaneness to the publishing field, developed into one of the country's best known editors.

Bok—the Dutch boy who became a great American—lived a life that teemed with events of lively interest. Across the pages of his book step men and women of international fame.

For the casual reader, "The Americanization of Edward Bok" is as bright and readable as a novel. For those who would make a study of the methods by which business men and publicists achieve success, the book is instructive as well as inspiring. It is a biographical study of unique value.

THE GOLDEN HORDE

(*Continued from page* 848)

"How can I know," said Yarde, "how many loaves I ought to get for a coat?" "Or I," said Bricks, "how high a chimney I ought to build for your coat?"

But other difficulties arose! There were people who had nothing to barter but labor and who had been employed to mine coal, and who at the end of a day's hard labor had received 10% of the coal produced for their services.

But coal they could not eat, and so they had to go from house to house with their wheelbarrows to try and exchange their coal against food. Unfortunately everybody had plenty of coal, and the next day found them still tramping through the streets, hungry, thirsty and desperate. They met butchers, blacksmiths, carpenters, drygoods clerks who for their work had received sheepskins, horseshoes, pine boards, yards of flannel, etc., all starved to death, and unfit to resume work.

A radical change had become imperative: some ways and means had to be found to solve the problem of barter.

It was evident that conditions of direct barter such as existed on the island could not possibly continue: much better it would have been to return to absolute barbarism.

The islanders, at the request of Robinson Crusoe, all met and argued matters out, the consensus of opinion being, that just as much as the length of an object is measured by comparing it with a piece of wood usually called a yard-stick, and the weight of a thing by comparing it with something called a pound, a commodity or article should be selected to measure the value of every other exchangeable commodity or service. The moment this intermediate article was selected, everybody, for his commodities or services, would receive a certain amount of it and would be in a position to secure whatever he needed by giving the other party something which he in turn could use in order to provide for the necessities of his life.

How Robinson Crusoe Experimented with Money

After many a stormy debate the meeting agreed to use cowries as the first medium of exchange: a pretty shell picked up on the beach, which the women had often used as an ornament.

These little shells were particularly fitted for the purpose: they were not plentiful, and it required as much time and labor to collect one hundred as it took to grow a bushel of corn. Consequently one bushel of corn was valued at one hundred cowries. Other commodities were valued along similar lines. A plow could be purchased for ten bushels of corn or one thousand cowries.

For some time everything went on smoothly: everybody seemed satisfied. But one day some fellows constructed a sailing boat, and made an excursion to a little island on the remote horizon.

Much to their surprise, they found that the cowries which were scarce on their island, were available in great abundance there. They saw great wealth lying at their feet, said little, but gathered all the cowries they could carry, and returned to their place among the rocks.

The spectre of inflation had made its appearance!

Money began to grow abundant. Everybody seemed to have it, and the first thing to happen was a great development of business. Everything offered for sale was readily bought, and with demand increasing all around, prices rose rapidly.

The shopkeepers, farmers, mechanics, having more money than usual also began taking in stock, and prices increased further, a bushel of corn rising from 100 cowries to 500 cowries. But on the other hand they also found that they had to pay 5,000 cowries for a plow instead of 1,000 cowries formerly, and so on.

Yet, though it was quite logical, they never realized that they were not one cowry richer than they were previously; yet what difference does it make whether I have one cowry, or five, if it costs five times as much to acquire the article I could formerly buy for one cowry?

And yet, don't we all make the same mistake today, which the good islanders made then? Don't we all think that we are richer than we were before, when we earn twice as much though we find prices 100% higher?

Our two adventurers continued their daily excursions, and cowries became more and more plentiful all the time. Prices kept increasing, yet nobody seemed to realize that increased prices, measured in cowries, really meant diminished purchasing power of the cowry! And as prices kept increasing, the want of cowries for actual trading purposes kept increasing proportionally, and this want Robert and Bertram kept satisfied by bringing in cowries by the bushel.

Gradually the community awoke to the fact that there was something materially wrong and at last the secret leaked out. Then the bubble burst. Stock companies failed. Trade became stagnant. Confidence was gone. Nobody would work any more. Farmers would not sell grain but for bread, meat, etc. With one sweep the entire community was thrown back to where it had started from in such good faith.

And it was then that they realized that the next commodity they might select to use as money, should be *something of permanent value, which could not be acquired without real work.*

The islanders having gone through inflation and back to the primitive days, but yet thoroughly aware of the fact that they had to have something that could be used as a universal medium of exchange, once more convened in general meeting and discussed the situation. Many suggestions were put forward. One man proposed apples: apples every one could use, because they were readily exchangeable when ripe. But another one immediately objected, because they were most perishable at the time when they were most useful. Someone else reminded the assembly of the experience of a famous violinist, who upon one occasion had traveled to some unknown foreign country, on a contract to take half of the receipts, he found that they consisted mainly of bananas, vegetables and chickens. He could not sell his part for cash, because there was not any cash, and in order to keep the chickens he had to feed them the bananas and vegetables.

This brought forth roars of laughter, and the apple scheme was definitely off the floor.

Someone else proposed "corn," but all agreed that although it was always desirable and had to be produced at a certain amount of labor, it would not do, because it was too bulky; and besides its value might change too frequently.

"Cattle," Friday thought, was the thing, but again others thought it too bulky, and apart from that it could not be split up; and as someone rightly remarked, it would cost money to feed the cattle, and money ought to produce interest and not cost anything to keep it. (Incidentally it might be pointed out at this juncture, that the good old State of Massachusetts once upon a time used cattle as money, and that Felt in his "Massachusetts Currency" in one place mentions the following highly interesting passage:

"In 1685, it was ordered by the General Court of Massachusetts that no man should pay taxes in 'lank cattle'!"

The meeting broke up, no decision having been reached; no one knowing what medium of exchange, measure of value, to choose. The one thing was too heavy; the other too perishable; the third too bulky; the fourth too changeable in value; and so for quite some time the old method of barter continued to prevail.

THE RETURN TO NORMAL CONDITIONS IN BUSINESS AND FINANCES

(*Continued from page* 824)

unstable as they are at the present time, it is always hazardous to predict anything in connection with the future of prices. Nevertheless, so far as a forecast can reasonably be made, it would point today to the probability of some further advances. The index number of the Federal Reserve Board last published shows a gain of 4 points, while the accompanying graph shows the movement of a well-known commercial index which has been charted for purposes of comparison.

Prices in foreign countries are also more stable than heretofore and, what is of more importance, they are approaching much closer to a parity with the United States. This is partly due to the great improvement in foreign exchange quotations which has brought sterling, francs and marks up to levels materially higher than those that have obtained for a great many months.

Whatever may be the cause of it, the effect has been to bring about a closer adjustment between the economic systems of the various countries with a much more harmonious development of competition between them. This tendency has led to an increase in the value of exportation from some countries and a decrease in exports from others—relatively at least. England has greatly increased her export shipments while decreasing her imports. The United States, on the other hand, has increased its imports and decreased its exports.

General Conditions

On the whole there is every reason to believe that the future prospects of business for the coming spring and summer are likely to be continuously encouraging. From this time on, much, however, will depend on crop prospects and later in the year on actual crop yields. Granting a fairly favorable season, agriculturally speaking, it is clear that the general machinery of production and trade is being rapidly restored to something like its normal working condition.

TRADE TENDENCIES

(*Continued from page* 827)

up as soon as an increased demand sets in. Decreased buying power among a large class of workers, occasioned by the coal and textile strikes, should add to the latent demand. Novelty goods, which includes fancy colored cottons, silks, linens and light woolens, are moving in large volume but staples continue dull.

So far as finished cotton goods are concerned it appears evident that, in the face of a probable rise in raw material, the price of the finished article must either increase or labor costs must come down. In view of the attitude of buyers toward higher prices, it is obvious that the present strike must be settled in favor of reduced wages and more efficient labor, if the manufacturers are to operate on a profitable basis. Considerable progress has recently been made toward readjustment in the clothing industry where a more moderate attitude of the workers has resulted in lower wages and greater efficiency. The demand of the public for less expensive clothing is being met by price cuts on the part of some of the most prominent merchants.

Wool is quiet and steady. A tariff of 33% on imports of raw wool should ultimately lead to higher prices which will have to be absorbed largely by the clothing manufacturers, since the public will not stand for any extensive advances.

Efforts to stabilize raw silk prices appear to be meeting with a considerable degree of success. Manufacturers are still somewhat timid about entering the market however, and take the attitude that prices are higher than they should be. They are backed in this stand by the demand of consumers for lower prices on cloths and silk products generally. On the other hand, buyers of broad silk are showing more interest, although actual orders continue scarce. The ribbon market displays improvement with a gradual trend toward better conditions. Orders are more frequent and are coming from a larger number of buyers.

COAL

The Strike

Despite the coal strike, prices of coal, both varieties, have begun to decline. It is apparent that coal operators are unwilling to take advantage of the situation caused by the strike—probably for reasons of policy with regard to the effect on public opinion.

On the day the strike was called, it was estimated that there was a reserve of 63,000,000 tons of soft coal and 8,000,000 tons of hard coal. Including a total production of from between 4,000,000 to 5,000,000 tons from the non-union mines,

is is believed that the reserve will carry the country through three months. Should the non-union miners be affected, it is likely that a prolonged strike would cause a serious situation within two months.

The real issue at stake appears to be the nationalization of the mines. There is little doubt that great inefficiency from present methods of operations have ensued to the detriment of both the miners and the public. One of the results to be looked for from this strike is a more efficient method of operation.

Under these circumstances, it is difficult to speak of the outlook for the coal industry. Should the miners win their strike, there is no doubt that the large profits made by many operators would disappear. On the contrary, a victory by the operators would give them a very great advantage. Fundamentally, however, the industry suffers from gross mismanagement and should Government supervision be postponed this time, eventually it must come to pass, as the realization is generally growing that the industry must be reorganized on a basis more compatible with public interest than is the case at present.

LEATHER

Irregular Conditions

The leather trades are generally dull and spotty although, on the whole, the market is in a better situation than it was a few weeks ago, with raw and finished materials working gradually into a better position. Hides and leathers are dull and inactive. Demand is coming principally from the patent leather and novelty footwear trades with staples moving slowly and the more expensive grades practically neglected.

The shoe manufacturing industry is displaying greater activity. Factories are busy putting out lines for the Spring and Summer trade and operations are expanding gradually. Production has shown a steady increase as indicated by figures for total boots and shoes manufactured in the three months ended January 31. The number of pairs produced in January totaled 25,173,437 pairs compared with 24,241,773 pairs in December and 23,592,610 pairs in November. Some broadening in volume of orders has been noted in recent weeks but manufacturers are centering their efforts chiefly on the popular priced grades and models for sport wear.

The sole leather trade is showing some improvement in the demand for medium and light weight leather for patent and novelty footwear, reflecting the activity in the manufactured article. Surplus stocks have been somewhat depleted and prices are fairly well maintained as a consequence. The heavier grades are dull and barely steady, showing the effect of slow business and competition from rubber soles. In the upper leathers a good deal of patent is moving and there is an active demand for all sorts of sport leather. Light and medium grades of calf and side leathers are more active on account of the tendency toward increased production of fancy shoes. An increased consumption of belting butts has been noticed as a result of improvement in industrial conditions.

Securities and Commodities Analyzed in This Issue

Bonds

Industrials

Railroads

Commodities

Public Utilities

Petroleum

Mining

DIVIDENDS

CHICAGO PNEUMATIC TOOL COMPANY
DIVIDEND NO. 68

A quarterly dividend of one per cent has been declared on the Common Stock of this Company, payable April 25th, 1922, to stockholders of record at the close of business April 15th, 1922.

J. L. PRICE, Treasurer.

New York, March 28th, 1922.

HUPP MOTOR CAR CORPORATION

Detroit, Michigan, April 5, 1922.

The Directors have declared a quarterly dividend of 2½% on the common stock of the corporation, payable May 1, 1922, to stockholders of record April 15, 1922. Checks will be mailed.

A. VON SCHLEGELL, Treasurer.

DIVIDENDS

BAYUK BROS. INCORPORATED

Philadelphia, Pa., March 29th, 1922.

Quarterly dividend of 2% on First and Second Preferred stocks of this corporation has been declared payable on April 15th, 1922, to the stockholders of record March 31st, 1922. Checks will be mailed.

HARVEY L. HIRST, Secretary.

INTERNATIONAL PAPER COMPANY

New York, March 29, 1922.

The Board of Directors have declared a regular quarterly dividend of one and one-half per cent. (1½%) on the preferred capital stock of this Company, payable April 15th, 1922, to preferred stockholders of record at the close of business April 7th, 1922.

OWEN SHEPHERD, Treasurer.

MEETINGS AND ELECTIONS

Readers' Round Table

Patience in the Stock Market

Editor, THE MAGAZINE OF WALL STREET.

Sir:—After considerable hesitation have decided to write you regarding your article "Position Stock Market Today." Paragraph referring to "patient able to get about" states almost verbatim what I quoted just a year ago to friends engaged in different lines of business. Please pardon if I go into personalities more or less. *Four* years ago this coming Summer, a siege of pneumonia left me almost out physically; today I am nearly normal in health—a long time for recovery, but the disease had been a *long* time coming to a head. On account of illness, obliged to give up business (leather).

Since that time my viewpoint has been outside of any individual business, formed by general conditions on a broad scope, which the average business man is unable to comprehend. Last Spring and Summer I was a joke to my friends when I emphatically stated the condition of business at that time was decidedly similar to what I had passed through regarding my health, and by Spring, 1922, they would acknowledge I was right. Last Summer amongst financial interests I made some remarks, and was put down as a "know nothing."

Several months ago I had courage of my convictions with assistance of your valuable magazine, to make purchases in market which I made for *long pull*, consequently present profits do not interest me. We'll admit I am long on *standard* stocks showing a loss today, but I am banking on the future for handsome profits on same, *with patience*.

Now these same people say, "Yes, Joe, you may be right so far, but it is only a 'flash in the pan.'" I maintain their point of view is still narrow, and shall hold to my ideas of future conditions, based on a broad viewpoint that prosperity has only just commenced to be considered.—J. E. P.

The following was sent to the editor after his response to the above letter:

Sorry paragraph you refer to was not clear to you; kindly excuse stupidity of the writer. Your presentation is correct.

Have stocks that I have been carrying which stand me ten to twenty points higher than present prices—C. L., Anaconda, Steel @102, B. & B.@70 and Marine pfd., also C. & O. made some averages as follows: Steel @ 79, Anaconda @ 37, C. L. @ 28, B. & O. @ 56, C. & O. @ 56.

My profits for long swing which "do not interest" at present, are Gen. El. @ 112, Wx. @ 48, Punta @ 27, A. T. T. @ 103, N. Y. C. @ 74, Wool @ 75, S. F. Adj. @ 64, and S. F. Inc. @ 50. When I say I am not concerned in the above gains, you understand I mean while the future for business and *money* looks as it does today.

If you think any of your subscribers could in any way benefit by your publishing any part of what I have written you, by *all means* do so, and any little details you might require, write me for same.

All is needed now is *patience* and that is something hardly known to the average American.

Continually studying financial conditions and future prospects I mentally revert to what I have passed through physically, where I realize the main thing that put me where I am today was patience.

Of course you know much better than I do if commercial and financial business started on the run three months ago, where we would be today is a question.

My ideas of today's market conditions are different than opinions I get from bankers and brokers; perhaps I am wrong. —J. E. P.

These two letters are a convincing argument for patience in the stock market. The writer has leaned heavily on two things—knowledge and patience. This combination is almost invincible in the stock market. The great losses of investors are due principally to their failure to *study* conditions and their failure to exercise patience when the market turned against them. It will be noticed that the writer limited himself more or less completely to the *standard* stocks. In this case, determination to hold on in the great majority of instances is bound to result favorably. It is to be doubted, however, whether it is wise to be patient with regard to the highly speculative issues. We have seen too many instances of once great speculative favorites falling to a mere fraction of their former value without any apparent prospect of recovering their loss. *One must exercise patience with discrimination.* In the case of the standard issues, it is practically bound to result successfully. In the speculative issues, it may result so and again it may not. *Buying standard stocks and bonds for the long-pull is as wise a speculative manoeuvre as there can be.*—EDITOR.

German Paper Issued

Editor, THE MAGAZINE OF WALL STREET.

Sir:—When a serious person like James B. Morman of the U. S. Treasury Department, writing in your February issue on "What can be done to rebuild our foreign trade?" presents some suggestions, the first one reading: "Further issues of paper currency must cease," meaning the currencies of Central Europe, he says no more and no less than one who tells a starving man, that he should eat, overlooking the fact that he has no food and no means of getting any.

Mr. Morman fails to explain *how* the thing is to be done, which is the real problem, and it is surprising that he in his long discussion makes no attempt to get at the root of the evil and not even mentions the source of most of Europe's inflated currencies, the Treaty of Versailles. The cleverest talk about "Limits of Legislation," "International Economic Pressure," etc., etc., is simply waste of time so long as this vicious so-called treaty of Peace remains unrevised. It is hopeless to try to solve our troubles in foreign trade sepa-

rately from those of the European countries that were among our best customers before the war, which means Central Europe. Æsop who tells us the story of the limbs that refused to work while the stomach was out of order, was not consulted at Versailles, but when we now discover, that the terms of the treaty, intended to enslave the defeated, are equally if not more fatal to the victors, one may be excused in expressing the belief that the devil himself acted as chairman at those meetings in Paris, for he could not have made a worse pact. Let the experts of the Treasury department come to the front and tell the world how, for instance, Germany can stop increasing her currency without a revision of the Treaty. Let them figure up the billions she has to pay for the armies of occupation, for the bloodsucking allied commissions, for the reparations both in cash and materials to a dozen or more countries, for the indemnities she owes to those of her own subjects whose private properties outside of Germany were pocketed by the allies, an act the like was never heard of since people ceased to be cavemen, but sanctioned under the Versailles Treaty and which indemnities alone amount to some 5 billion goldmarks. Let them figure it all up, and, after taking a good look at the ever increasing deficit of the German budget, let them tell us not that further increases in inflated currencies *must* be stopped, but *how they can* be stopped. After a 5 months' stay in Central Europe and a close study of the situation one thing is clear to me: Things are getting from bad to worse. There are many who claim that this is exactly what France, imperialistic France, wants in order to have pretexts for interfering further in Germany. In England a majority of the people has sense enough to be convinced that a revision of the treaty is absolutely necessary. R. S.

The troubles of Germany may, as the writer of the above states, be attributed directly to the Versailles Conference which tied her hand and foot and then asked her to pay an impossible amount by way of reparations. That the Versailles Treaty was a mistake is seen from the fact that this treaty has been modified many times, in order to give Germany a better opportunity to pay an amount that was more reasonable than that demanded by the original treaty. Even under the modified basis of the treaty, Germany is not in a position to pay and as a consequence her credit is practically destroyed and she has become a comparatively negligible factor in world trade. The problem raised by the issuance of large amounts of paper currency in Germany is incidental to the fundamental problem—which is to completely alter the Peace Treaty on a workable basis.—EDITOR.

NATIONAL ENAMELING AND STAMPING CO.

(*Continued from page* 839)

At present price of about 85 the 7% preferred stock yields 8.2%. In view of the money the company plans to expend for new construction and that profits from these expenditures are not likely to be returned for a year at least the dividend on the preferred cannot be regarded as very secure especially in view of the fact that nothing was earned on this issue in 1921. The dividend on the preferred stock was declared for a year ahead in February.

At present price of about 35 the common stock has declined from a high in 1922 of 43¾. The passing of the common dividend in February caused some liquidation and probably considerable short selling. It is believed that there is still a fair sized short interest in the stock and under present favorable market conditions the stock may advance due to a good technical position. The outlook for the company, however, is too uncertain to warrant the investor purchasing the stock. Resumption of dividends appears unlikely for a long time to come.

DIVIDEND PROSPECTS AMONG THE INDUSTRIALS

(*Continued from page* 838)

company has been getting increased business. It is in strong financial condition with a working capital of $8,000,000 and in a position to resume dividends at once, although the management may decide to hold off until orders on hand reach a larger total. At present price of 76 the stock has had a fair advance but still appears to have good speculative possibilities for a further advance. Should conditions warrant there still remains the possibility of the plan for the exchange of stock and a 20% stock dividend being put into effect, although this is not likely in the immediate future.

CALIFORNIA PETROLEUM

This is one company that found 1921 a year of unusual prosperity and it was able to report $11.45 a share earned on the common stock, the best showing in its history. The reason for this good showing in an off year was increased production and a very favorable three-year contract from February 1, 1921 for the sale of a large part of its oil. California oil did not drop in price anything like the oil in other fields and the contract protected the company on most of its oil in any event. Net liquid assets of the company total $3,500,000. This is more money than the company needs to conduct its business and it is undoubtedly in a position to start dividends immediately, especially as there is every indication that earnings in 1922 will show up as well as earnings in 1921. It would seem that directors would be justified in paying at the rate of $5 or $6 a share, but even if only $4 is declared the stock would not look unduly high at present levels of 54. It can be regarded as having good possibilities.

BROWN SHOE

For the year ended October 31, 1921 Brown Shoe reported a deficit after preferred dividends of $1,125,753. This loss was entirely the result of loss in inventory for which $1,524,000 was charged off during the year.

STATEMENT OF THE OWNERSHIP, MANAGEMENT, CIRCULATION, ETC., REQUIRED BY THE ACT OF CONGRESS OF AUGUST 24, 1912.

Of THE MAGAZINE OF WALL STREET, published every other week at New York, N. Y., for April 1, 1922.

State of New York }
County of New York, } ss.:

Before me, a Notary Public in and for the State and county aforesaid, personally appeared George G. Janosik, who, having been duly sworn according to law, deposes and says that he is the Business Manager of the MAGAZINE OF WALL STREET, and that the following is, to the best of his knowledge and belief, a true statement of the ownership, management (and if a daily paper, the circulation), etc., of the aforesaid publication for the date shown in the above caption, required by the Act of August 24, 1912, embodied in section 443, Postal Laws and Regulations, printed on the reverse of this form, to wit:

1. That the names and addresses of the publisher, editor, managing editor, and business managers are:

Publisher, The Ticker Publishing Company, 42 Broadway, New York City; editor, Richard D. Wyckoff, 42 Broadway, New York City; managing editor, E. D. King; business manager, George G. Janosik, 42 Broadway, New York City.

2. That the owners are: (Give names and addresses of individual owners, or, if a corporation, give its name and the names and addresses of stockholders owning or holding 1 per cent or more of the total amount of stock.)

Ticker Publishing Company, 42 Broadway, New York City.

Richard D. Wyckoff, 42 Broadway, New York City.

Cecelia G. Wyckoff, 42 Broadway, New York City.

3. That the known bondholders, mortgagees, and other security holders owning or holding 1 per cent or more of total amount of bonds, mortgages, or other securities are: (If there are none, so state.)

None.

4. That the two paragraphs next above, giving the names of the owners, stockholders, and security holders, if any, contain not only the list of stockholders and security holders as they appear upon the books of the company, but also, in cases where the stockholder or security holder appears upon the books of the company as trustee or in any other fiduciary relation, the name of the person or corporation for whom such trustee is acting, is given; also that the said two paragraphs contain statements embracing affiant's full knowledge and belief as to the circumstances and conditions under which stockholders and security holders who do not appear upon the books of the company as trustees, hold stock and securities in a capacity other than that of a bona fide owner, and this affiant has no reason to believe that any other person, association, or corporation has any interest, direct or indirect, in the said stock, bonds, or other securities than as so stated by him.

5. That the average number of copies of each issue of this publication sold or distributed, through the mails or otherwise, to paid subscribers during the six months preceding the date shown above is——. (This information is required from daily publications only.)

GEORGE G. JANOSIK,
Business Manager.

Sworn to and subscribed before me this 20th day of March, 1922.

(Seal) CHESTER D. CLARK,
Notary Public.

Kings County Clerk's No. 440; Register's No. 3203. Certificate filed in New York County Clerk's No. 525, Register's No. 3403. Commission expires March 30, 1923.

Bank loans were reduced from $7,330,000 to $2,900,000. Inventory readjustments made the way clear for the company to operate on a profitable basis and reap full benefit from the large volume of business now available. According to President Bush, plants are operating 33⅓% above the previous high point and there are ample orders on the books. Under these circumstances the remaining bank loans should be cleared up shortly and dividends resumed on the common. In 1920 the stock sold up to 118¼ and at present levels of 48 appears to have very attractive possibilities.

BUTTERICK COMPANY

After running along for several years with earnings at the rate of between $1 and $2 a share on the common stock Butterick took a sudden jump in 1921 and was able to show $5.23 a share on the stock. Increase in the sale of patterns due to tendency toward economy and home dressmaking is understood to be the principal reason for the better showing. Sales have also been stimulated by a new invention, the "Deltor" distributed with each pattern and which enables goods to be cut with a greater economy of material. Company is in good financial condition with a working capital of $3,000,000. Dividends are likely to be started at any time. For the years 1910-1915 inclusive this company maintained dividends at the rate of $3 and it would appear to have a good chance of paying as high as this in the future. The stock has good speculative possibilities at present price of 28.

ANN ARBOR

President Newman Erb of the Ann Arbor Railroad recently announced that dividends would be started on the preferred stock, a 5% non-cumulative issue, beginning with the second quarter of 1922. He also stated that earnings at the present time are showing the preferred dividend fully earned and a balance for the common. The preferred stock has recently had a very rapid advance and can be regarded as having discounted to a considerable extent the starting of dividends and at 48. It is in a speculative position.

AMERICAN CAN

In spite of very unfavorable conditions in the canning industry in 1921 American Can succeeded in showing a surplus equal to $2.76 a share on the common stock. During the war period this company piled up large profits, none of which were paid out in dividends and as a result it is in unusually strong financial condition with a working capital of nearly $30,000,000. For the first time in several years the company has not had to issue short time notes to finance its seasonable requirements. With the outlook for the canning industry much improved there would appear to be no good reason why dividends should not be started on the common stock. This company is the dominant factor in its field, moreover for a very long period of years it has never failed to show good profits.

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